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BUSINESS WEEK

FEB. 27, 1960

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BUSINESS WEEK • Feb. 27, 1960	BUSINESS WEEK is published weekly by McGraw-Hill Publishing Co., Inc., 330 W. Albany, N. Y. 36, N. Y. Second Class Postage Paid at N. Y. 1, N. Y., and at Albany, N. Y. Subscriptions \$6 a year in U. S. A. Canadian and foreign rates on request.	

FIGURES of the WEEK

1947-49=100					170
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JASONDJEMAMJJASONDJEMA 1957 1958	1959	ASO	NDJF	MAM	J
1007 1 1000 1	1953-55			1960	
	Average	Year Ago	Month Ago	Week Ago	§ Late
BUSINESS WEEK INDEX (chart)	133.3	151.0	160.5	159.1r	158.9
OSINESS WEEK INDEX	100.0	131.0	100.3	137.11	130.7
RODUCTION					
Steel ingot (thous. of tons)	2,032	2,506	2,717	2,674r	2,6
Automobiles	125,553 \$52,412	120,780 \$62,563	175,060 \$55,003	158,723r \$55,824	153,1
Electric power (millions of kilowatt-hours)	10,819	13,259	14,523	14,071	\$60,9
Crude oil and condensate (daily av., thous. of bbl.)	6,536	7,208	7,190	7,256r	7,3
Bituminous coal (daily av., thous. of tons)	1,455	1,363	1,471	1,412	1,3
Paperboard (tons)	247,488	304,774	322,114	325,402	329,79
RADE					
Carloadings: mfrs., miscellaneous and I.c.l. (daily av., thous. of cars)	70	56	60	59	
Carloadings: all others (daily av., thous. of cars)	47	38	41	39	
Department store sales index (1947-49 = 100, not seasonally adjusted) Business failures (Dun & Bradstreet, number)	121 198	310	121 302	111	11
Business failures (Dun & Bradsfreet, number)	170	310	302	317	28
RICES					
Industrial raw materials, daily index (BLS, 1947-49 = 100)	89.2	88.9	94.8	93.4	92.
Foodstuffs, daily index (BLS, 1947-49 = 100)	90.5 19.8¢	77.9 18.5¢	72.4 23.0∉	72.7 22.2¢	72
Print cloth (spot and nearby, yd.)	143.9	187.0	186.8	186.8	22.2 186
Scrap steel composite (Iron Age, ton)	\$36.10	\$43.17	\$42.50	\$39.17	\$37.1
Copper (electrolytic, delivered price, E&MJ, lb.)	32.394€	30.100¢	34.215¢	33.350¢	33.094
Aluminum, primary pig (U. S. del., E&MJ, Ib.)	20.6∉	24.7∉	26.0¢	26.0¢	26.0
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, Ib.)	*	21.76¢	25.02¢	25.01¢	25.02
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$2.34 34.57∉	\$2.04 34.28¢	\$2.08 31.93e	\$2.10 32.02¢	\$2.1 32.05
Wool tops (Boston, Ib.)	\$1.96	\$1.61	\$1.88	\$1.77	\$1.7
	41.70	Ψ1.01	41.00	V	4 ***
NANCE		** **	71.00		
500 stocks composite, price index (S&P's, 1941-43 = 10)	31.64	55.32 4.89%	56.99 5.36%	55.11 5.33%	55.9
Medium grade corporate bond yield (Baa issues, Moody's)	3.59% 2-21/8%	31/4 %		3/4-43/8 %	45/89
	2 2/0/0	07470	7,470	74 170 70	.,.,
ANKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks	*	60,880	62,273	60,597	59,42
Total loans and investments, reporting member banks	‡ ‡	101,773	102,834 30,873	101,699 30,966	101,56
Commercial, industrial, and agricultural loans, reporting member banks U. S. gov't guaranteed obligations held, reporting member banks		31,351 33,758	26,904	26,117	25,71
Total federal reserve credit outstanding	26,424	27,112	28,098	27,135	27,53
COLUMN TICOLOGY OF THE WIND		1953-55	Year	Month	Lates
NONTHLY FIGURES OF THE WEEK		Average	Ago	Ago	Month
McGraw-Hill Indexes of New Orders (1950 = 100)		104	157	149	22
New Orders for machinery, except electrical (seasonally adjusted)**. January Construction & mining machinery		104	157 167	163	17
Engines & furbinesJanuaryJanuaryJanuary		106	175	158	14
Pumps & compressorsJanuary		120	189	288	28
Metalworking machinery		125	123	172	17
Other industrial machineryJanuary		95	153	138	15
Office equipmentJanuary		109	180	221	21
New contracts for industrial buildingJanuary		128	97	132	12

^{*} Preliminary, week ended February 20, 1960. † Not available. ** New seasonal adjustment

r Revised.

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THE PICTURES—Cover—Leonard Nadel; 27-28—Howard Cooper; 30—Jim Mahan; 32—Leonard Nadel; 34, 36—MYT Television; 45—Unations; 61—(top) John Mazziotta, (middle) Aerojet General Corp., (bottom) Young Spring and Wire Corp.; 84—(top) Pictorial Parade, (bottom) Griff Davis, Black Star; 105—18M; 119—8ob Towers; 137-139—Leonard Nadel; 142—Terry's Photography, Chicago; 147—Thiokol Chem.

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BUSINESS WEEK • FEBRUARY 27, 1960 • NUMBER 1591

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READERS REPORT

Growth Report

Dear Sir:

Your piece on economic growth as a special report [BW-Jan.23'60, p521 is absolutely first rate. . . .

T. W. SCHULTZ

DEPT. OF ECONOMICS UNIVERSITY OF CHICAGO CHICAGO, ILL.

Dear Sir:

. . . BUSINESS WEEK [is] to be congratulated on giving the space to so extensive an analysis of the fundamentals of a problem which is almost always dealt with only at a superficial level.

ALLEN WALLIS

THE WHITE HOUSE WASHINGTON, D. C.

Dear Sir:

. . . The discussions of economic growth put a very difficult problem into comprehensible lay language. I must say I share the concern that the United States is not investing enough in its human capital. . . .

Secondly, I think publicly we have overdone our concern for individual well-being, and underemphasized the responsibility each of us bears for the community's well being.

BYRON L. JOHNSON REPRESENTATIVE FROM COLORADO WASHINGTON, D. C.

Dear Sir:

. . . As a representative of business, I wish I could count as heavily as you suggest upon the projected steady stream of all innovations from research. No one can quarrel with the forecast that important growth will be achieved, but in many industries with which I am familiar, systematized innovation as yet can really not be counted upon to produce a steady flow of new products. Research efforts seem to bring results in irregular quantities, and often without a completely understandable basis as to timing. In short, there is a continuous supply of developmental results but, except in the most spectacularly new scientific areas of interest, there seems to be still a good deal of variation in the flow. I guess I'm really taking issue only with the use of such words as "steady" and "continuous" in your article but just to urge caution against accepting these concepts too literally.

Personally, I'm confident that substantial growth will be achieved in this country and I'm not too disturbed about the battle of statis-

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tical growth with the Soviets, at least over the next decade. My chief concern lies with the effect of the social, economic, and political environment upon incentive to take risks. Harassment by government in the area of bigness and profit margins despite the best possible intentions can have only a negative impact on our future growth. While it is certainly true that many, perhaps most, business managements are dedicated to furthering the growth of our economy, it will be most unfortunate if much of this drive is lost because of public impediments, destined in theory to be for the social good of the people. . .

WALTER E. HOADLEY, JR. TREASURER ARMSTRONG CORK CO. LANCASTER, PA.

Dear Sir:

... The difficult problem of economic growth was masterly treated in the article where a rigorous scientific approach was combined with an excellent journalistic presentation. Contributions of this quality, bearing upon matters of national significance, serve an important purpose as they stimulate thinking and help to clarify issues.

AVRAM KISSELGOFF

CHIEF ECONOMIST ALLIED CHEMICAL CORP. NEW YORK, N. Y.

Dear Sir:

. . . This is a very good report except for imbalance; far more should have been given to Can We Get Balanced Growth? . . . [and] more on Key to the Future and more on Human Capital.

It was regrettable that not once was mentioned the great value of American salesmanship and the need of more and better salesmen for more money for research and development will be spent if more and better salesmen are encouraged. Surely the millions of American salesmen have contributed as much (many think more) to our economic growth than any other group. . . .

V. E. SEIBERT

PRESIDENT THE FRONTIER PRESS CO. BUFFALO, N. Y.

Dear Sir:

There can be no doubt that "The growth and power of nations depend primarily upon the qualities of their people," as you say in the special report [BW-Jan.23'60, p52]. However, discussions such

as this ignore for the most part the continuing destruction of incentives in this country. Will the aggressiveness, certainly one of the qualities of the people of this country in the past, continue without the rewards? This is the question to be answered.

In my opinion, providing schools, colleges, universities, and laboratories will not be enough if the education does not mean highersubstantially higher-living standards for those who have made the effort to gain the education and put the learning to practical use.

E. A. CYROL

E. A. CYROL & CO. CHICAGO, ILL.

Dear Sir:

I just read the special report on Growth [BW-Jan.23'60,p52] and must applaud its de-emphasis of the percentage rate approach. Its insistence on "ideas and skills" and "research by systematizing innovation" as the basis of economic growth is a most welcome back-toearth movement. The description of the innovation process seems to me, however, to omit an essential element. . . .

The article defines innovation too narrowly by confining it to the new products, processes and resources which research creates. Marketing should be recognized as an inseparable part of systematized innovation. Du Pont's laboratories alone did not and could not create today's cellophane, nylon and dacron products. Reynolds Wrap was much more of a marketing innovation than a product innovation. In our kind of economy, product and market development frequently are concurrent and interact on each other. During this marketing phase of the innovation process, many of the business decisions are made which determine whether a new product or process will represent mere change or a contribution to better performance and usefulness. Since the qualitative facets of growth need more emphasis than they are getting currently, there is all the more reason for making sure that the marketing phase of the innovation process gets proper attention. IRVING LIPKOWITZ

REYNOLDS METALS CO. NEW YORK, N. Y.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.

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2. BRIGHTER END TO END—Lead wires are plated with super-hard Chrome Vanadium to make sure Westinghouse tubes stay bright, end to end.

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- 3. BUILT-IN "SHOCK ABSORBERS"—Specially designed Westinghouse anodes act as buffers to cushion the terrific shock of electron bombardment and improve lamp life.
- 4. "RAINCOATS" FOR RELIABLE STARTING Silicone "raincoats"



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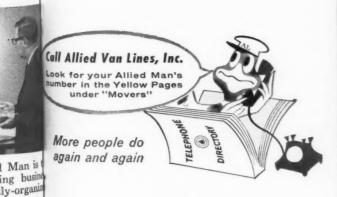
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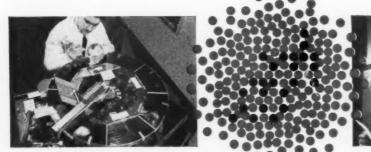


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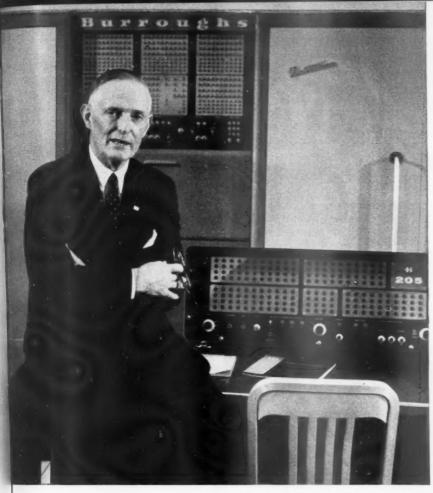
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"With thirteen experiments of this type proceeding on a continuous basis, the volume of data generated could never be handled without the aid of a computer. The Burroughs 205 performs computations every day which the staff





Dr. Bradley Whitman, Director of Research Services, confers with Gordon B. Thomas, Biometrics Manager.

of Schering's Behavorial Laboratory would require years to complete. The computer's final output is in the form of tables and graphs which are then studied and interpreted by psychopharmacologists.

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"The decision to install a Burroughs 205 computer was upheld by a need to provide rapid, complete and economic analysis of the data which is produced by the research division at great cost. We investigated the computer field thoroughly, and after careful study and professional consultation, our technical people believed no other computer met our requirements so well. One of our scientific programmers, Biometrics Manager Gordon B. Thomas, was particularly impressed with the 205's ability to handle large masses of data with the power of a large scale computer... and at less than half the cost. Mr. Thomas felt the 4000-word memory of the 205 greatly facilitated the execution of research programs, many of which exceed 10,000 steps.

"In our research projects alone, the 205 has earned its keep. Dr. Bradley Whitman, head of Research Services, reports our 205 computer is turning out fast, accurate results at a cost we could never have realized by any other method. Research scientists are freed from time-consuming data collecting and may now spend more time on creative work.

"In addition to serving as a research aid, our 205 has provided us with other benefits as well.

"Our Procedures Department Mana-

ger, William B. Spencer, points out that the 205 is completely compatible with our commercial needs as well as research. In fact, our recent purchase of additional Burroughs peripheral equipment will allow us much greater capacity for commercial applications.

"As we expand and broaden our search for new products, we expect commensurate growth in other areas of our company as well, and we are confident that our 205 computer, with its modular expansion features, will keep pace with our computing needs."

FRANCIS C. BROWN

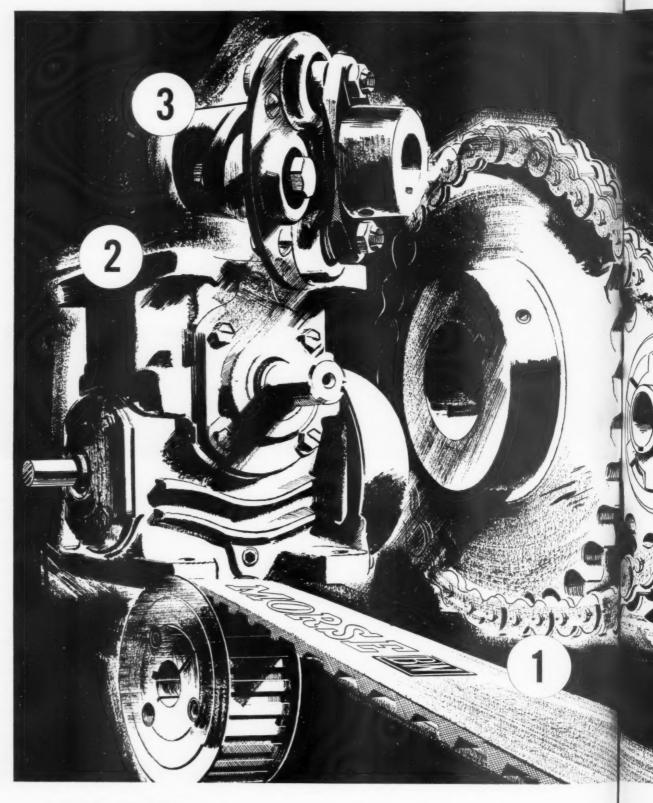
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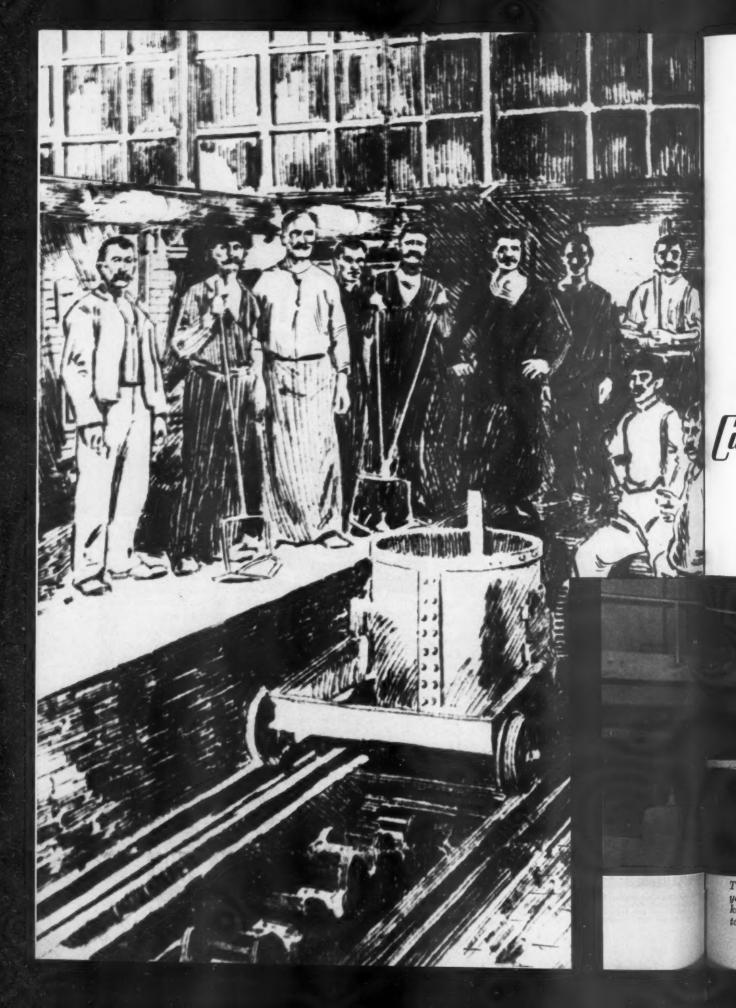
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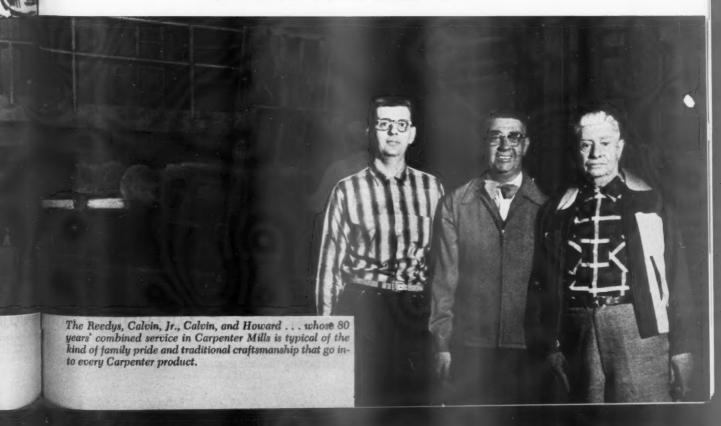
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BUSINESS OUTLOOK

BUSINESS WEEK FEB. 27, 1960



Auto makers are heading for the biggest first quarter on record except for 1955 (the year when precedents were shattered right and left).

But the industry originally set out for the best, not second best. First the schedule called for 2,240,000 cars; then it was raised to more than 2,275,000. Output won't reach either figure—or even come close.

Moreover, the seasonal pattern is askew. We'll be declining each month, January through March, instead of going up.

New cars have been selling quite well this year, but not spectacularly. And it was going to require pretty spectacular sales to sustain production as originally projected.

A good many outsiders questioned the wisdom of output so high, and Detroit executives admitted in private that they might have to cut if cars piled up on dealers (BW—Jan.9'60,p19). Now they're cutting.

January production was scheduled at 690,000 cars and hit it on the nose. February was set at 725,000 but will fall short by 50,000 to 60,000. To attain the original goal, March would have had to smash all monthly records with more than 850,000; now 600,000 to 650,000 would look more realistic (with one trade publication glumly indicating 550,000).

Production of 550,000 cars would be less than the total for March in most recent years. Yet it wouldn't be bad, by average standards, compared with most months in 1957, 1958, and 1959.

And 600,000 would top any March since 1955.

However, this is hollow consolation for an industry that was geared up to smash records. And it won't help suppliers of the auto makers who were prepared to handle the much higher expectations.

Results of the two months' auto race show the customary leaders—Chevrolet, Ford, and Plymouth—in the 1, 2, 3 positions.

Of Chevy's 380,000-odd cars in January and February, nearly 65,000 were Corvairs. Standard models were just a little ahead of 1959.

By contrast, Ford's production of standard models was a little behind. The division turned out something over 325,000 cars of which about 85,000 were Falcons and more than 13,000 Thunderbirds.

Plymouth's 113,000 for the two months included 40,000 Valiants.

For fourth place, it's a photo finish. Rambler, Oldsmobile, and Pontiac all are weighing in with 83,000, give or take a few hundred. But, by the end of the first quarter, on its present plans, Rambler will lead.

It's Dodge in seventh with nearly 70,000, greatly aided by Dart.

Buick is in eighth, though two-month output apparently has barely equaled the 63,400 cars produced in the same period last year. Next come Mercury, Cadillac, and Studebaker-Packard (although the latter's Lark is about 15% behind a year ago).

Auto output that runs below expectations will bring no joy to the ears of oilmen already plagued by overproduction.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK FEB. 27, 1960 Reductions in refinery runs seemed to be becoming general this week as one company after another announced cuts. And Texas has pinched back the permissible crude output for March.

Gasoline's position is generally regarded as touchy—even though there were some price advances at the start of this week.

Stocks of gasoline aren't much higher than a year ago. But that isn't too much help, because they were burdensome last year.

But the biggest trouble is in the light burning oils. Stocks are 30% above a year ago and price cutting is general.

One of the sternest warnings comes from the Chase Manhattan Bank whose oil letter calls for a 550,000 bbl. per day cut in refinery runs in the second quarter. "There is no satisfactory alternative," says the bank.

The letter chides the industry particularly for the high refinery runs in December even though heating demand was below normal.

Conditions in the oil market outside the U.S. are simply chaotic.

McGraw-Hill's Petroleum Week cites some startling discounts from posted prices on the whole range of oil products in the Caribbean. The list prices were being continued, the magazine indicated, by international companies that didn't want to offend the Venezuelan government.

However, both the Caribbean affiliates of Standard Oil (New Jersey) and Shell of Venezuela have now pulled the plug on fuel oil prices.

Steel mills' incoming orders for April and May obviously are curtailed by the current misgivings on autos. Not so apparent, perhaps, is the fact that steel is also feeling the troubles in oil.

The number of rigs sinking wells now is about 5% less even than the very skimpy total a year ago. And, with the supply-demand situation in oil what it is, there's little incentive to step up drilling.

Demand for well casing, in particular, has been affected.

Production of primary aluminum continues at a high level.

Daily output of nearly 5,300 tons in January was up from both November and December and substantially ahead of a year earlier. That it hasn't regained the record rate of last June through October is no surprise, for those months were padded by strike hedging and price hedging.

Income prospects of livestock raisers are undergoing reappraisal.

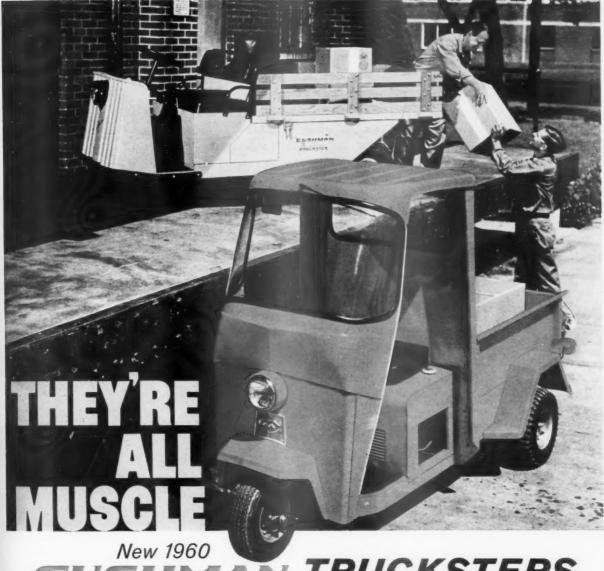
The major factor is the Dept. of Agriculture survey which indicates that the spring pig crop (which goes to market next fall) will be 11% less than last year. This has been seized upon as meaning more money for hog raisers. But will higher prices more than offset the reduced numbers?

Bear in mind that cattle on feed number 9% more than in 1959 for a new record. And bargain beef could restrain a rise in hog prices.

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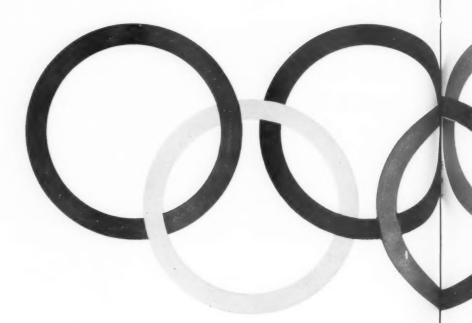
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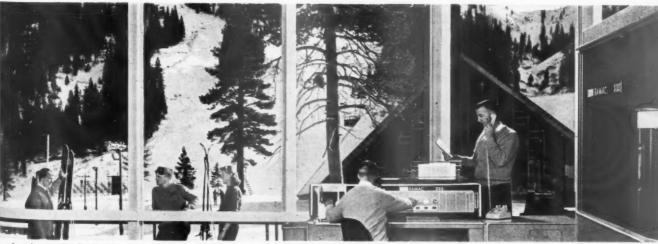
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TACONA, WASH., GANVILLE, ONTARIO, MEXICO CITY

Where Speculators Are Looking

A lot of them aren't looking at all—figuring risks are too high and profits too low in most ventures now.

Real estate in Florida and the Southwest still attracts a lot of them, though some say the land boom, like the stock market, has run into overvaluations.

The stock market itself is still favored by certain shrewd operators, but they stress selectivity of issues.

"It's getting harder and harder to make a killing." So says a New York investor who has a substantial amount of money to put into any situation that promises big capital gains.

His view is echoed by other speculative-minded money men across the country. Business week reporters this week talked—as they do periodically—to large numbers of money-wise investors who have funds available for new investments, found that a significantly large number of them are holding cash or short-term fixed-income obligations because they are uncertain about the immediate future.

These are men who ordinarily play for maximum gains rather than protected yields. They try to stay ahead of the investing pack, spot the sort of thing that is becoming a fad before the profit goes out of it.

These men say that they have plenty of funds available—more perhaps, than at any time in the last few years. But they are not rushing in to put their money at work. On the contrary, they are examining every investment proposal with skepticism and caution.

• More Risk, Less Profit—There is no shortage of investment opportunities—in land, oil, stocks. In fact, investment men report that they can choose from a wide variety of deals and proposals, ranging from local real estate to South African gold mines and South American land. But most moneyed investors say that the risk involved in almost every deal looks bigger than at any recent time, while the potential for gain seems less.

The sober mood of men with money stems largely from the sharp drop in common stock prices. Many speculators have been on the common stock bandwagon all during the great bull market of the 1950s, and most of them made fancy gains by judicious switching from one hot group to another. Now, with the market as a whole cooling off, they have been harder hit than most people over the past six months. In most cases, losses are still on paper, but they have had a sobering effect.

• Real Estate—At the moment, in fact, only one area shows boiling speculative activity—real estate ventures in Florida, Arizona, California. The land boom is biggest in Florida, where it has been going on for almost 10 years. Now, capital gains-minded operators are pouring more and more money into real estate ventures there and elsewhere.

Florida real estate men report that, since the drop in the market, they've had a big influx of funds from other areas. One broker reports, "I've had more business since the first of the year than ever before." Another adds, "We've got more customers for choice property than we have property of any kind."

A similar situation exists in Arizona and California, where land values are increasing fast. Fundamentally, the demand for acreage in these areas stems from the belief that a growing number of retired citizens will relocate.

The great lure for the investor in real estate is the big gains that can be made—gains far greater than in any other field. For example, two smart money men in Florida recently put \$150,000 in a real estate gamble, came out seven weeks later with a profit of \$750,000. What's more, they were able to turn this into a long-term capital gain by arranging to take their money in six months' time.

• Stock Market-This kind of lever-

age has great appeal. And up until last year, profits of this kind were available in other areas, particularly the stock market. Because of the money that these operators can command, they have been able to get big pieces of hot new electronics issues that frequently tripled or quadrupled in price overnight. Now, though, the new issues market has calmed down, and gains are by no means sure.

Nevertheless, many investment men who have a reputation for picking winners think the stock market is still the best bet, particularly since its decline. One big Texas operator who got out of the market last summer because it was "getting out of hand" has just begun investing in stock again. He isn't thinking in terms of a quick killing, but over the next year or two he feels that he will more than double his stake.

• Picking Stocks—A big Nashville investor is also planning to get into what he calls "leisure stocks"—issues of companies in sports, travel, entertainment. He, too, is putting funds into the market for the long term, basically because he feels that short-term investments are now too risky.

Some New York money men think the current drop has increased the opportunity for gains, provided you pick your stocks carefully. As one investor puts it: "Even in a bear market, some issues do very well. We're not in any bear market, and if you take the time to do some real investigating, you can still make big profits."

 Staying Liquid—But money men are not back in the market in strength. Ordinarily, the mark of the sophisticated investor is that his money is always working for him one way or another. Today, many operators frankly admit to holding big wads of cash or shortterm governments.

"I am in a state of readiness," says one operator who usually manages syndicates, "but I am not jumping until I am sure it will pay off. I just haven't liked any deals I've been offered."

• Taking Losses—It's clear that being a smart operator doesn't mean you always come out ahead. In the last few months, a number of big investors have been hurt not only in stocks but in other ventures, too.

For example, one investor in a big

Eastern city says he took a loss on a suburban land project when the contractors who were planning to build houses pulled out because of tight money (page 65). And a California operator was hurt in a shopping center deal, also because tight money conditions forced a buyer to withdraw.

But the really big losses have been suffered in the stock market. One operator who says he has built an original stake of \$500,000 up to \$2½-million since 1955 has lost \$600,000 of it since

the first of the year.

"I have never seen a mood change more quickly," he says, "and it took me completely by surprise. If I had been smart, I would have been selling short, but things looked too good to do that."

As a matter of fact, few money men have done any short selling. Some New York operators who play the market say they have been burned too often in the past to sell short now. They add that they don't see going into Florida real estate because it "smells too much like an unstable boom."

· Thinking Big-While it lasts, though, the boom in Florida-and in the Far West-is going strong. One successful operator says that making profits is easy -as long as certain pitfalls are avoided.

The main one, he thinks, is getting involved in a small deal. He explains: "Any small piece of property attracts too many buyers and sends the price up. But if you go after the big stuff, you

can get what you want."

The deal that netted two operators \$750,000 in seven weeks qualified as a big operation. They bought an 18,000acre tract of land for \$21-million, putting up only \$150,000 as a downpayment. They were supposed to put in \$800,000 more within 60 days. But, before the payment was due, they carved up their property into seven pieces, sold them all for a total of more than \$31-million. And, rather than taking cash, they gave the purchasers options to pick up the parcels in six to eight months, so it will give them a long-term gain.

· Reaching High-Many Florida ventures involve more than raw land. There's speculation in home and industrial developments as well as in shopping centers, bowling alleys, industrial parks, and utilities. A lot of other sections of the country offer similar ventures, but Florida seems to be attracting more funds than anywhere else in

the country.

In fact, the notion that stock prices are overvalued is accompanied by a feeling that many real estate projects are also too high. Some experienced real estate men say: "Too many people have been trying to make a quick buck in real estate speculation. There hasn't been any bursting of the bubble, but a good deal of air has escaped."

Negro Groups P

The scenes at right are being acted out in Southern cities with increasing frequency and rising tension. More directly than earlier legalistic efforts at Negro equality, this movement affects businessmen. It hits straight at the

pocketbook.

The pictures were taken in Nashville last Saturday. In the third "sit-in" demonstration in a week, 350 students of three local Negro colleges swarmed on signal into the seats of five chain store lunch counters. The first demonstration on Feb. 13 had drawn 120 students; the second on Feb. 18 had attracted 200.

A few white sympathizers were among the students. Fisk University has a dozen white students in its enrollment of about 750; the other colleges are Tennessee A. & I. University and American Baptist Theological Seminary. · Closed for Business-In each of the five stores, counter service was stopped as soon as the demonstrators took over the seats. Students then sat for hoursreading, doing their homework, chatting, and munching candy and popcorn bought in other sections of the stores.

The demonstration began at 11:45 a.m. at stores of S. H. Kress & Co., W. T. Grant Co., McClellan Stores Co., and F. W. Woolworth Co., and at 1:20 p.m. at a Walgreen drug store that had been left alone in the two previous sit-ins. At Walgreen's, a city motorcycle cop cleared everyone out of the lunchroom at 3 p.m., including four young white people; at Kress, Grant, and Woolworth stores, the demonstrators sat-officially ignored-until they left voluntarily at 3:45 p.m. At Mc-Clellan's it was 4:55 p.m.—"just because they were unusually nasty." said Luther Harris, Fisk junior who is 'general chairman" of the local move-

I. College Hi-Jinks?

Until Feb. 2 in Greensboro, N. C., this form of demonstration had fallen out of public sight. But it was used two years ago in Wichita, Kan., and Oklahoma City (BW-Sep.6'58,p38), also against chain stores that refused to serve a Negro who was sitting down at a food counter. (Even in the deepest South, as top pictures on page 27 show, stores generally serve a Negro who is standing.)

Two years ago, the tactic was expected to spread, but civil rights gains in the courts along with the general business recovery, took some of the bitterness out of young Negroes. Besides, says Herbert L. Wright, vouth secretary for the National Assn. for the Advancement of Colored People, they were too busy raising cash to attend the NAACP's 50th anniversary convention in New York last July.

This month's outbreak has, according to the Congress of Racial Equality, affected 24 cities. At first, most onlookers tended to dismiss the wave of sit-ins as college hi-jinks or, as one man puts "panty raids with serious purpose."

By this week, however, hardly anyone took the matter so lightly. It is obvious by now that these protests against racial discrimination in lunch rooms attack not merely Southern law but Southern customs-the whole established pattern of segregation. And if it foreshadows an attempt by Negroes to shift their drive for racial equality from political and legal pressure to the use of economic leverage, it's a development of special significance for businessmen, in the North as well as the

• Emancipated Young-Harold Fleming, executive director of the Southern Regional Council, an old and interracial group dedicated to improving race relations primarily through exchange of information, cites an underlying reason for the new wave of

A growing Negro middle class, with substantial buying power and increasing political influence, he says, feels frustrated by the slow pace of court action to break down segregation barriers. Yet the layman can play little part in legal battles-"a game for lawyers," says

"These protests," Fleming adds, "are an outlet, and an indication that vounger Negroes are moving into leadership of the struggle for equal treat-

The youth angle appears to be important. Generally, BUSINESS WEEK reporters in Southern cities agree, Negro parents have been worried about their sons' and daughters' participation in demonstrations, at least partly for fear of reprisals against their own livelihood.

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That's why college students rather than high school boys and girls are carrying on the present campaign. They are away from their home towns and the inhibiting influence of parents. Yet, mostly, they aren't fanatical. "All I want," said one of the early demonstrators," is to come in and place my order and be served, and leave a tip if I feel

II. Who's Behind It?

Most observers agree that the first demonstrations this month were spontaneous and local, though perhaps in-

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Put the Economic Pressure On



THE OLD WAY of serving Negroes at lunch counters is demonstrated at S. H. Kress & Co. Nashville store just before the sit-in starts. Negro, left, stands waiting for his take-out order . . .

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... then carries his food away in a paper bag, past a white woman seated at the counter. During wait for his order, he followed custom by not sitting on any of the vacant stools.



THE PROTEST by Negro college students started at 11:45 a.m. at four Nashville stores. At McClellan Stores Co. lunch counter, Leonardo F. Lindsey sits between three white girls and woman.



Diane Nash, Fisk University junior who says her home is in Chicago, arrives at McClellan's with reinforcements. One of the local leaders, she acted as spokesman for this sit-in group.



As white customers finish their meals and leave (some pointedly departed as soon as a Negro sat down), demonstrators occupy half the seats. They aren't served. As this girl leaves . . .



Negro girl at right center wins race to the vacated seat, with middle-aged white woman a step too late. Demonstrators, who include white students, sat until 4:45 p.m. at McClellan's.

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UPSHOT OF IT was this scene at Kress' store, with demonstrators in possession, but no one being served. Management stacked counter with trash cans, wastebaskets.

spired by discussions at last July's NAACP convention and by a continuing drive by the Congress of Racial Equality (CORE) since 1953. But the movement has clearly been adopted by both these national groups.

From Greensboro, the movement spread to Charlotte, Winston-Salem, Raleigh, and other North Carolina cities, then into Tennessee, Virginia, and Florida. Meanwhile, up North, pickets paraded in sympathy in front of local chain stores in many cities.

• Organized Backing—Some of this spread is due directly to intervention by NAACP and CORE. The NAACP endorsed the movement and offered legal and other assistance. CORE, founded in 1942 at the University of Chicago as an interracial group dedicated to non-violent but active protest, sent field men to North Carolina and other states to offer advice.

The Rev. Martin Luther King, Negro minister who led the 1956 Montgomery (Ala.) bus boycott, also visited North Carolina to support the demonstrators. This week he predicted further protests in Georgia, Alabama, and Lousiana.

With the entry of organized support, the protests, in the word of one NAACP official, "are becoming more refined, more directed." Choice of target stores and the technique itself reflect more experienced guidance. At the same time, signs of greater caution have appeared.

III. What Next?

At Greensboro, the first of the new wave of protests simmered down as students announced they will depend on "peaceful channels of negotiation" to achieve their aims. However, in other cities such as Chattanooga this week, demonstrations wound up in violence and arrests. This week in Winston-Salem, police went into a Woolworth store to arrest both Negroes and whites on charges of trespassing.

Local businessmen, including man-

Local businessmen, including managers of chain stores, express no doubt that trouble is headed in their direction. In Atlanta this week, fresh signs appeared in some stores to say "We reserve the right to refuse service to anyone."

• Go Slow—Negro leaders show uncertainty about how hard they should push. Pastor King declares that the movement "may well be the beginning of a full-scale assault on segregation." Yet in Memphis, protests reportedly set for early this week didn't materialize; Negro leaders who are working with school officials on integration apparently feared a hardening of public opinion against concessions. In Atlanta, where schools are under court order to end segregation, leaders are afraid, as one older man expresses it, "to muddy the water in too many places at once."

Moreover, the legal picture is cloudy. North Carolina, for example, has no law forbidding mixed dining. This leaves stores open to protests, but police have arrested demonstrators under general trespass laws. In its closing hours a week ago, the Georgia legislature rushed through a new law strengthening the powers of police in enforcing trespassing violations.

• Storekeepers' View-More important to store owners and managers, though,

is their economic stake. Enforcing the trespass laws, for example, may backfire on a store that draws on substantial Negro patronage.

"It's difficult to sell a Negro a ribbon at the notions counter," one man comments, "while you're having his friend arrested at the lunch counter."

National or regional figures on Negro buying power are not easy to find, but one national estimate places Negro spending at about \$17-billion a year. Stores almost universally deny having any idea of how much they depend on Negro patronage. According to John Johnson of Johnson Publishing Co. (Ebony, Jet, and other magazines) in at least 14 cities—including Atlanta, New Orleans, Memphis, Birmingham, and Houston—no consumer product can hit the top spot in sales without Negro support.

• Vulnerable—The national chains that are the chief target for today are especially vulnerable to pressure. Many of their stores are in the downtown districts of Southern cities that are most heavily patronized by Negroes. And their Northern outlets are often almost equally dependent on Negro buving.

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In most, if not all, of the chains, the local store manager has a high degree of policy choice. If he elects to go along with local custom, the home office usually backs him up. Both NAACP and CORE are pressing the national head-quarters of these chains to modify their local practices. They claim to have had some quiet success.

During early demonstrations, some stores tried to continue serving white patrons while excluding Negroes, but present policy seems to be to close the food counters as soon as demonstrators appear. Obviously, though, no one wants to keep eating facilities or any other business operations shut down for long.

• How Far to Push?—That raises the potentially more urgent question of how far the Negroes and their sympathizers will push with their new economic weapon. Already the word "boycott" is cropping up. In Miami, where CORE claims credit for several sti-downs in the past year, leaders are considering a call for picketing and boycott of several stores.

"We haven't tried anything like that yet," says one leader, "but we think we can do it successfully—we do that much business with some of the stores."

Not all Negro leaders are happy about the prospect of an economic battle. "Boycott is a two-edged sword," one of these leaders warns—L. D. Milton, president of Citizens Trust Co. in Atlanta. "It can hit back at you economically."

But the signs point to more—not less—use of the rights group's economic weapons. And soon.

How to Set a Cold War Course

That's the problem agitating a Senate subcommittee. It's studying the machinery by which government makes policy involving the national security.

Sen. Jackson thinks the present setup is to blame for lags in the missile program and for other woes.

Among the proposed reforms: Insulate the military from party politics and establish national goals clearly.

A Senate subcommittee headed by Sen. Henry M. Jackson (D-Wash.) this week began a series of hearings on the formidable question of how U.S. national security policy is made. The probe is aimed straight at the widespread but vague uneasiness about the way Washington is set up to fight the cold war.

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Jackson, a persistent critic of the Eisenhower Administration's defense program, started by ticking off specific problems that he thinks stem from weaknesses in the present situation. He cited delays in missile and satellite projects; the National Security Council's habit of coming up with "least-commondenominator compromises" on controversial issues; the role of the fiscal agencies in holding back important programs; and the difficulties of the Defense Dept. and other agencies in recruiting and holding top men for jobs.

Jackson has stressed that his inquiry will steer clear of "substantive decisions" and stick to governmental organization. But he tried to draw his first witness, Robert A. Lovett, Secretary of Defense and Under Secretary of State under the Democrats, into agreeing with him that the U.S. isn't spending enough for defense these days.

• Waning Influence?—Lovett, a partner in Brown Bros. Harriman & Co. and chairman of the Union Pacific RR's executive committee, begged off. He said he isn't too intimate with military requirements nowadays. Still, Lovett leveled some serious criticism at the current U.S. position. He said this country's "psychological image and prestige" have diminished in recent years. "We're doing something short of our best" on efforts to project U.S. influence, he said, and hinted that foreign aid might be given more vigor.

Lovett discounted talk of simplifying or streamlining government bureaucracy. He said it is the nature of a democratic government to be complex because of the need to reflect conflicting interests and to adhere to legal checks and balances.

· Lovett's Solutions-He gave his ideas

on how national security policymaking could be made more "manageable and effective":

 Party politics must be kept out of the military services. Gen. Maxwell Taylor, who recently quit as the Army's chief of staff, and others have griped that Pentagon civilian leaders under the Eisenhower Administration show too much concern over the "political reliability" of military careerists.

 National goals and political policy must be clearly set by Washington's top civilian echelon before the military professionals determine defense strategy. Taylor and others have complained about the "lack of direction" in formulating tactics to fight the cold war.

• "Committee-itis—a virulent disease from which business isn't immune" must be eliminated from the Pentagon, and the authority of the individual executive must be restored. Lovett said that the proliferation of defense committees, reviewing each other's work and overlapping in function, is a major cause of "vacillating administration and wavering policies." Sen. Karl E. Mundt (R-S. D.) chimed in to say that Congressional committees with duplicating roles in defense policymaking are still another bottleneck.

• The Secretary of State should not be given "a more dominant role in over-all national security planning" as many have proposed. He said national security responsibilities are now "correctly defined and divided" between the State and Defense Depts.

 A new Cabinet slot, Minister of Foreign Affairs, should be established to devote full time to international meetings and negotiations. The Secretary of State could then stick full-time to executive responsibilities.

• The State and Defense Depts. should have a greater voice in setting "budgetary guidelines for national security programs." The Administration's critics argue that the Budget Bureau and Treasury Dept. are too dominant right now.

· Decisions Criticized-The next two

witnesses after Lovett, Robert C. Sprague and James P. Baxter, III, had little to say about defense reorganization but much to say—most of it critical—about Administration policy decisions. Sprague, board chairman of the Sprague Electric Co., and Baxter, president of Williams College, were both members of the so-called Gaither Committee, which two years ago recommended to the President a major stepup in defense spending.

Sprague said he "doesn't sense in

Sprague said he "doesn't sense in Presidential statements the same concern [over the Russian threat] that I have." He said Soviet space and missile achievements "temporarily intensified" U.S. efforts, but those efforts in recent months "have been mitigated." He agreed that the U.S. has greater military strength than Russia right now in terms of nuclear striking power on a "first strike basis." But this isn't so important, he said, as the amount of retaliatory power we might be able to muster after an attack, nor so important as our allies' image of our capabilities. Baxter expressed a similar view.

• Groundwork—This week's opening hearings come on the heels of four months of staff work by Jackson's sub-committee—officially, the subcommittee on national policy machinery of the Senate Committee on Government Op-

erations.

The subcommittee's staff interviewed more than 200 present and former government officials and other experts. They asked many others by mail to identify the major weak points in national security policymaking and to propose reforms.

A distillation of all these views was published as an interim subcommittee report last month. The criticism emphasized that the various facets of national security policy—military strategy, foreign aid, propaganda, scientific development, and such—are established in a vacuum and inadequately coordinated

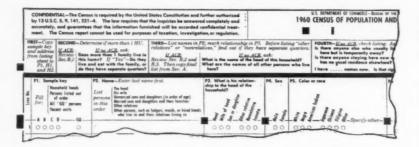
• Suggested Cures—One proposal for change was for State Dept. participation in the proceedings of the Joint Chiefs of Staff and JCS representation, in turn, on the State Dept.'s policy planning staff. Another was for a drastic reorganization of the National Security Council and the establishment of a "package," long-term national policy that would embrace foreign policy, defense, and domestic programs.

For the next few months, the Jackson subcommittee will tackle these and other proposals. Six sets of public hearings will be held at three-week intervals, with a blue-ribbon roster sched-

uled to testify.

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MoreThanNosesWill Be Counted





ELECTRONIC machines, demonstrated by Morris Hansen, assistant director of the Census Bureau, will doublecheck data for human and mechanical errors.

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Census will also compile statistics on social, economic, and housing conditions needed by businessmen, and local planners.

The Bureau of Census is cranking up for the great decennial census of 1960

that begins Apr. 1.

For the entire month, an army of 170,000 poll takers—recruited from kitchens, classrooms, and wherever else they can be enlisted—will fan out across the country to conduct a nationwide nose count. The prodigious effort will cost an estimated \$118-million.

More than just a population tally is involved. In all, 81 sets of questions (sample, left) relating to social, economic, and housing characteristics will

be asked.

In addition to the usual queries about age, sex, and number of persons at each household, the enumerators will check the type of work each person is engaged in, place of employment, hours put in on the job, and income.

For the housing census, data will be garnered on such things as the number of bathrooms and bedrooms per home, type of heating used, property value.

Actually, the census takers will carry out two distinct jobs. The second—and most statisticians say the primary—reason for the census is to get the detailed local statistics required by business, market researchers, state and local planners, and health authorities. The decennial actually is 30,000 different censuses of local areas.

• Scientific Guess—The statistician already can tell you approximately what the national statistics of the census will be, and at considerably less cost.

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He does this through the use of regular sample polls conducted by the Census Bureau and other government agencies for such things as employment, housing, national income, consumer buying plans. For instance, the government expert knows that the population on Apr. 1 will be 180-million; that the number of households is 55-million; and that 64-million were employed in January.

The professional statistician can't afford to wait every 10 years to get such basic information. Neither can business and other users of current statistics. So the statistician has to develop highly sophisticated methods of sampling the population on a selective basis to get national figures. These samples by this time have become so highly developed, statisticians say, that they give a more accurate picture than any head count.

Viewed in this light, the 1960 census takes on another facet. The decennial

in effect marks the end of a fast-moving period that introduced new statistical procedures and new uses to which the statisticians' art has been applied. Business firms alone have invested hundreds of millions of dollars in new statistical programs since the end of World War II for market research, operations research, quality control systems, data processing, and linear programing.

I. Proving Ground

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The decennial census in one respect will provide the proving ground for the statistical concepts behind such innovations. The public often feels that "a sample is all right to get an indication, but let's take a census to make sure we're right."

• Controversy—Statistical people who believe that more accurate results can be obtained from a scientific sample—where stricter controls can be instituted—claim that a highly trained corps of 600 enumerators such as the Census Bureau regularly employs is a more effective instrument for obtaining accurate data than 170,000 enumerators whose training necessarily is brief.

But it isn't easy to convince congressmen or other elected officials who recall that the Gallup poll and other sample polls showed Thomas Dewey defeating Harry Truman in the 1948 Presidential election.

The controversy over television ratings also has contributed to this skepticism. A viewer who likes Marshal Wyatt Earp better than Marshal Dillon is likely to dismiss as "just ratings" any TV poll that favors Dillon.

"These two things have done more to give sampling a black eye in recent years than anything else could," says one government statistician.

• Bloopers—But the statistical men also point to pitfalls in any direct nose count when it gets as big as a decennial census. For example: Census people were confounded to learn in 1950 that in at least several Southern states the enumerators forgot to count Negroes; it just didn't occur to housewives turned census taker that they should be included. Also, the very young and the very old are liable to get slighted.

No matter how meticulously a census is planned, there are still details that can't be foreseen—and often these have a big impact on the outcome. The agricultural census of 1959 illustrates this. The Census Bureau decided to hold this census last fall, splitting it off from the regular decennial in an effort to get more precise data. The bureau thought it had covered the major possibilities for error when it sent its enumerators into the fields. But the bureau had overlooked the social habits of farmers. Following harvest, many take off for a week or so of hunting—so many farmers

were not at nome to be interviewed.

For just the total population count in 1950, the bureau estimates it was off by 3% or more. For other data—value of homes, hours worked, income—the error was probably higher.

II. New Approach

The Census Bureau has learned some lessons from recent census-taking and from new statistical developments. This year's count marks a new approach to statistics gathering.

Greater use of sampling is being made. New quality controls are being instituted to climinate errors—all the way from the first interviewing right through the final tabulating procedures. An electronic system will speed the tabulation of material and the final results.

Morris Hansen (picture, page 30), Assistant Census Director for statistical standards, doesn't claim that the nose count will be 100% right. But he hopes it will be more accurate than previous counts.

"If we merely wanted to get national statistics," he says, "there would be no reason for taking a census every 10 years. This could be done more accurately through sampling procedures, and at a fraction of the cost."

• Whys—Then why go through an expensive census-taking every decade? There are several reasons, according to Hansen. In the first place, the Constitution requires it—in order to reapportion Congressional districts.

The first census, in 1790, taken under the direction of Thomas Jefferson, asked only a few questions, such as age, sex, and marital status.

In recent times, the big demand for census data comes from state and local subdivisions that want specifics for their areas. Businessmen need facts to plan marketing and advertising campaigns. They are necessary to city and county officials in setting up services such as juvenile delinquency reforms, in shifting such public health facilities as mobile X-ray stations, for setting new zoning and tax laws, and for building local transportation facilities.

• Yardstick—There is still another use for decennial statistics. This is to change the "benchmarks," or base data, for government statistical programs.

This poses an interesting question, when you consider that sampling plays a big part in the preparation of many of these statistical series. If the basic census data are inaccurate to some degree, what yardstick can you use to measure the accuracy of the samples?

What with improved quality controls being instituted in this census, if the results of the regular sample surveys and the actual head count show big divergences, there is bound to be a lot of flurry over which is right. Hansen answers that one paradoxically; he insists that the same surveys should be the "benchmark" against which the decennial data are judged.

This was the case in 1950 when much of the employment data collected in the decennial was considered so unreliable that the bureau announced that these figures were not to be taken as the official government figures. The sample taken a few days later for the regular monthly government report—a sample made up of only 5,000 house-holds—was still considered better.

III. Sampling Technique

The basic sampling techniques used today were developed in the late 1930s and the early 1940s, when statisticians were coming around to the idea that it wasn't the percentage size of the sample that counted so much as the selectivity that goes into making up a sample.

Most of the quality controls on the nose count involve the use of sampling techniques. So-called random samples will be made on the spot by local supervisors to check the accuracy of the enumerator's worksheets. And the same sort of sampling will be used in exercising controls on the tabulating processes all the way through until the Census Bureau releases final data.

Double Check—Despite all the checking, the biggest source of errors in any census is likely to be at the enumerating level. In order to cut down errors in interviewing, the bureau is adopting some new methods.

The first of these will be to mail to each household a copy of the census form to be filled out before the enumerator arrives. The forms contain a stripped-down list of questions to be asked at every household. For more complicated questions relating to employment and housing, the enumerator will leave an additional questionnaire at every fourth door; these will be filled out and mailed back to the local Census Bureau.

After they are checked for completeness and accuracy, the forms will be sent to Jeffersonville, Ind., where the electronic phase of the tabulation takes over. The sheets will be microfilmed and sent to Recordak Corp.'s laboratories in Washington for development.

The film then will be sent to Census Bureau headquarters in Suitland, Md., for transcribing on to magnetic tape by FOSDIC (film, optical, sensing device for input computers) machines. These magnetic tapes then will be fed into Univacs at the Census Bureau, and at the University of North Carolina and the Armour Institute in Chicago.

These machines automatically code the data, edit the work of the enumerator, detect errors, and where necessary even make corrections.

Bar Group Study...

... of "conflict of interest" sets up new rules to police
—and protect—businessmen in
government.

Congressional efforts to define and police "conflict of interest" cases in the federal government focused this week on recommendations made in a two-year study by the New York City Bar Assn. Financed by the Ford Foundation, the study is the first comprehensive effort of an independent group to clear the muddy waters of conflicting interest.

The group's recommendations were introduced as a bill with bi-partisan support. The measure tries to tighten control over conflict of interest and at the same time make government service more attractive to businessmen by allowing them to retain pension rights and other fringe benefits in their business.

• Inconsistent—Recent headlines have emphasized the absence of any unified policy. General Motors' Pres. Charles E. Wilson had to sell his stock to become Secretary of Defense; and Neil McElroy left the top defense post to avoid losing stock options and pension rights at Procter & Gamble. But the charges against Sherman Adams, Air Force Secy. Harold Talbot, and Federal Communications Commissioner Richard E. Mack of accepting or soliciting favors had to be settled on a case-by-case basis.

• New Rules—The bar association's bill defines conflict of interest and sets up a whole new set of rules. For instance, an official faced with a decision affecting a company in which he has a vested interest would have to disqualify himself. Regulations on post-government employment are clarified, such as allowing a lawyer to handle a case against the government if the problem is not one in which he was involved during his government service.

The recommendations also include a new statute on gifts. The bar group would forbid gifts from anyone doing business with the government to the responsible official; it would also prohibit use of an official position to promote private gains.

 Prestige—The thoroughness of the study and the prestige and political influence of the bar group assures that the recommendations will get careful consideration in Congress. The bill was first referred to the Post Office and Civil Service Committees of both Houses, but probably will be switched to the Judiciary Committee, which can consider it in its current session of hearings.



7 A.M.: Graf joins carpool for 20-min. drive to Long Beach Municipal Airport . . .



7:25 A.M.: He boards DC-3 for 15-min. hop to Santa Monica Municipal Airport . . .

Plane Shuttle Speeds

What would you do if you were transferred from one outlying plant to another and were faced with these alternatives:

 Driving more than 35 miles through heavy traffic back and forth to work each day.

 Quitting your job and searching for a spot closer to home.

 Selling your home, uprooting your family, and reestablishing in a location closer to the other plant.

A group of engineers who were transferred from a Douglas Aircraft Co. plant in Los Angeles to a plant in Santa Monica examined all these alternatives and found each of them lacking. Instead, they came up with a plan that rates them "kings of the commuters"—they chartered a plane to fly them back and forth each day. It costs them \$50 a month each.

• The Problem-Typical of these engi-

neers is Donald A. Graf (pictures), an aerodynamicist. From Graf's home to the Santa Monica plant is about a 1½-hour drive. Since there is no direct public transportation, he would have to battle rush-hour traffic each day, leaving his home at 6:30 a.m. at the latest, and arriving back about 6:15 p.m.—providing there were no traffic jams. To drive it alone each day would cost about \$80 a month. A ride pool would cut expenses and some of the stress of driving, but it wouldn't solve the time problem.

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• Solution—The idea for the charter plane came about fairly naturally to the engineers, many of whom had used the shuttle plane service that Douglas maintains between its various plant locations. So, they contacted the operator of this shuttle line, Edgar A. Stewart of Stewart Air Service.

Meanwhile, Douglas engineers had







4:45 P.M.: Graf walks to gate to waiting DC-3 ...

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circulated a memo to all personnel who were to be transferred, and when it developed that Stewart's rate was the most economical, 38 engineers signed

Since Jan. 4—the day of the first flight—participants in the service have grown from 38 to 106, with about 50 others on a waiting list. Stewart now flies three DC-3s and a Twin Beecheraft back and forth each day. He also expects to have a DC-4 in service soon.

Stewart says he can offer this \$50 rate because he also uses his planes for the regular contracted Douglas shuttle service between the commuting trips, which helps defray the overhead.

When weather prohibits taking off in Long Beach, engineers drive to Santa Monica and back. When they reach Santa Monica but cannot fly back, Stewart furnishes a bus to get them home.

5:10 P.M.: Mrs. Graf meets him at Long Beach airport, and he's back home by 5:30.



BUSINESS WEEK . Feb. 27, 1960

35



PROGRAM began with a view of Bayway refinery, where NLRB vote impends. It continues with frank talk by men such as ...



O. V. TRACY, president of Esso Standard Div.: "No one in New York is going to tell you how to run your refinery."



ROSS MURRELL, Bayway manager: "If an international union comes, we may never have the opportunity to work things out."



DOUG BATES, operations superintendent: "A number of people said some of us don't really believe what we're saying."



FRANK LAWSON, zone supervisor: "We're not soft; we're trying to find better ways of working together."



BERT CLARKSON, Bayway refinery's Additives Div. head: "We would like to start solving our problem instead of talking."



FRANK FISHER, field supervisor in Additives Div.: "The most important issue is regaining confidence of the people."



GEORGE MATTHEWS, unit supervisor in poly plant No. 2: "This management-atall-levels approach, I think, is a good idea."



JOHN GORDA, field supervisor: "The company has changed its policy." Management's goal is to rebuild goodwill.

Esso Airs Plant Problems on TV

The 100,000 or more TV watchers around New York City who tuned in Channel 13 at 1 p.m. last Sunday were treated to one of the oddest half-hour programs they've ever seen. Management was on the screen, in the form of Pres. O. V. Tracy of Humble Oil & Refining's Esso Standard Div. and Ross Murrell, manager of Esso's Bayway (N. J.) refinery. Their foremen and supervisors, though no hourly workers, were there, too. Labor relations were involved somewhere, and there was a lot about working conditions inside the

refinery. Only at the end did it become clear that the occasion was a National Labor Relations Board election that pits the plant's independent union against three outside international unions.

But this was no session of sweetness and light with top management and carefully screened underlings painting a pretty public picture of the company. Management was saying instead: "Yes, we recognize that things haven't been going smoothly." The supervisors were lodging their complaints, chief among them that management's dealings with employees have been veering wildly from easy paternalism to a sharp gettough line. And all this airing of the company's internal upsets was there, floating over the public airwaves.

• Four-Way Choice—Outsiders were puzzled, but the Bayway refinery's 2,300 employees knew what this was all about. This week, at an NLRB election, they will decide which unions should represent them: The plant's own independent union, whose top officers have pledged themselves to an alliance



Battle Station in the War on Costs

No group has waged more vigorous battle against the rising cost of living than the oil industry. Witness that in 1959 the average price of gasoline, exclusive of tax, was less than 6 per cent higher than it was in 1949, while consumer prices generally rose 23 per cent over that period.

A key weapon in battling costs is efficient distribution. The Sinclair organization continually improves—and is noted for—its ability to move products to market at minimum cost. One of the most extensive pipeline systems connects six modern refineries with the most populous markets. Tankers and barges make large-volume deliveries. And 1,629 Sinclair bulk distribution stations—which can stock 720 million gallons—

provide the flexibility of storage needed to serve economically a market where demand swings sharply with the weather.

Dealers and distributors trading under—the dinosaur symbol of fine oil products—know a dependable, low-cost distribution system sustains them in the market place. In the battle against costs, Sinclair has powerful ammunition.



A Great Name in Oil

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CAMERA CREWS taped program at Bayway, but discussion was unrehearsed.

with the Teamsters; the Teamsters on their own; the Oil Chemical & Atomic Workers, which for the past two years has been trying to organize Bayway's hourly wage workers; and the Operating Engineers Union, which represents workers at two other New

Jersey refineries.

Behind this four-way battle for representation lies the recent sharp change in labor-management relations at Bayway. In the middle '50s when Murrell became manager of Bayway, it was one of Esso's biggest refineries, noted all around metropolitan New Jersey as a great place to work. More than 4,000 workers were on the payroll, and hundreds more were on permanent waiting lists, ready to grab a job there as soon as one became vacant. All around, the physically grubby Bayway refinery was referred to as having a country club atmosphere, a security of tenure that rivaled Post Office Dept.'s, and the highest pay for workers in the oil refining industry.

• Costs Pinch—Oil companies' refinery operations traditionally are low profit or even losing propositions, but until recently profits from other operations made it possible to ignore this. Now competition is so severe that they can ignore refinery costs no longer. Two years ago, the change came to Bayway. Since then the payroll has been lopped by 50%. More than 100 supervisors have gone. There's no more waiting list for jobs. And, according to the foreman's testimony, the country club atmosphere became something more akin to West Point discipline.

Lately, Bayway's management has been trying to save what remains of the old goodwill. Almost three months ago, Murrell and his top managers took to TV with the message that this salvage operation was under way. It was, he said, a matter of instituting "management at all levels," meaning that more responsibilities and decisions would be put in the hands of supervisors and foremen and employees themselves. Higher management, in its efforts to make the refinery operation break even, had held tight to these responsibilities, and though this produced much of the ill feeling in the refinery, it did help the plant become "competitive" for the first time last year.

This earlier TV message apparently had little effect. Esso's management consultants, Fred Rudge Associates, sampled employees afterwards, found that about 98% had watched the program—but that not enough were impressed. Last week, the pro-Teamsters leaders of the independent union were returned to office, but there have been charges that the election was rigged.

• Trying Again—So last week Bayway tried again with a different format—a half-hour of discussion back and forth between management and foremen on what's wrong at Bayway. The show was unrehearsed, but like any taped program it was open to editing. Management knew what the foreman were going to say before the show went on the air. But they still had plenty to say.

Ed Gilmore, supervisor at the refinery's No. 6 Pipe Still, set much of the tone. "What concerns us," he said, "has been the tendency of employee relations to swing like a pendulum—from a get-tough policy to one of sweetness and light . . . We must find a mid-

dle course.

• Candid Views—Some of the others on Gilmore's level were a lot more candid about the management policies they have faced in the last two years. Said supervisor Phil Slavin: "Our people [the hourly workers] don't mind good, constructive criticism when they do something wrong. What they don't want is to be horsewhipped or embarrassed . . There's been a lot of talk about more responsibility for supervisors. This is fine, but the people who operate our plant know their work. Let's not tell them how to do their job, let's tell them what we want done and let them do it."

This loss of prerogatives has been rankling the foremen and through them has affected all Bayway's employees. It plainly appeared on the screen.

• Skepticism—But what of the future, and of the "management at all levels" approach through which Esso hopes to improve relations—and efficiency—in the refinery? The supervisors and foremen approve the idea. But the TV program

made no effort to disguise a degree of suspicion that management doesn't really intend to follow the policy it has outlined.

Said Bert Clarkson, supervisor in Bayway's Additives Div.: "We want top management to be fair but firm in their approach to human problems. No matter what happens in the next month or so [in the NLRB election] we expect management to continue to show a reasonable and consistent attitude to

all our people."

Most of the anxiety about future policy was indicated as hanging on the attitude of Esso's New York management to the moves that Bayway's managers are making. Supervisor Frank Fisher said: "Most of our people feel that first, second, and third-line management is sincere. But what about New York? Will they dictate changes to Ross Murrell after the [NLRB] election?"

This was the cue for Pres. Tracy to step before the camera. "We in New York," he said, "look to you to accept full responsibility for your operations and for the decisions that back them up... No one in New York is going to tell you how to run your refinery."

• The Boss Talks—And with that much established, it was Murrell's moment for winding up the show. "We have some problems," he said. "But I believe we have started in the right direction [to solve them]. Now the questions in everybody's mind are: Are we sincere? Will the new approach continue?...

"I'm not even going to try to answer the first question: Either you believe me or you don't . . . As to the second question: I intend to take this refinery along the third way, the middle course

[in labor relations].

"The independent union president says your only hope of working out your problems is by bringing the Teamsters into Bayway. Some of our people may be asking themselves 'How can I support the independent union, when the president of that union is supporting the Teamsters?' but the answer is that a vote for the independent union is not, I repeat, is not a vote for the Teamsters.

"I don't agree that the Oil, Chemical & Atomic Workers or any national union is the answer to our problems.

"If you believe we should try to solve our problems without outsiders, you should vote for the independent union. That union cannot lose its independence without the approval of two-thirds of its membership."

And with that, Bayway's employees prepared to decide which union should represent them. By this weekend Bayway's management may know just how effective was the TV airing of its in-

ternal troubles.

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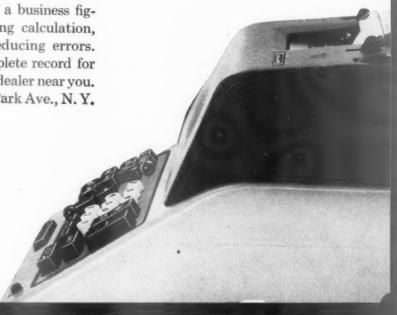






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In Business

Pittsburgh Steel Bolsters Its Future With Three Different Deals for Ore

Pittsburgh Steel Co. this week took another stride along the road back from a troubled position of ore poverty and high-cost operations. The company attacked its ore problems with three moves, aimed to cover its position both long-term and short-term, and to cost about \$6-million spread over five years.

• For the future, it bought a 10% interest in Wabush Iron Co., which by 1965 should be shipping between 4-million and 5-million tons of iron ore a year from the

Wabush Lake (Labrador).

Pittsburgh Steel's 10% share of this would rise if the mines reach their predicted 10-million-ton-a-year potential

• For the short term, Pittsburgh Steel has bought the final two-ninths interest to become sole owner of Bennett Mining Co., a rapidly depleting ore pit in the Mesabi range. It also bought 25% ownership in the Lake Mining Co., which operates two Mesabi mines.

Pittsburgh Steel says it will need no new financing to

pay for the acquisitions.

Final Score: Ford Leads Chevrolet In 1959 Sales; Plymouth-Valiant Third

For the second time since 1935–1957 was the other—Ford last year outsold Chevrolet. Final 1959 registration figures by Ward's Automotive Reports show Ford in first place with sales of 1,468,451 passenger cars to Chevy's 1,416,076. Chevy led for most of the year but fell back as steel shortages halted production.

Plymouth and Valiant were lumped to take third place with 388,772, followed by Pontiac (381,827), Rambler (362,874), Oldsmobile (360,008), and Buick (245,508).

Imported cars (609,539) took a shade more than 10% of the year's total market: 6,026,500.

White House Eases Security Rules For Workers in Defense Plants

The White House this week issued a new personnel security order covering workers in defense plants. Earlier regulations set up by the Administration were held invalid last year by the Supreme Court on the grounds they lacked specific Congressional or Presidential authority.

The Pentagon and defense-related agencies will soon issue detailed rules to implement the White House order, which gives these key rights to employees who have been denied security clearance:

 They must be given a detailed statement of the reasons for the denial. They can defend themselves against charges of being security risks.

• They may confront and cross examine accusers.

Lack of these rights in the old rules caused much criticism. But even the new order makes a major exception to the right of confrontation, in cases where the accuser is a "confidential" government agent whose

identity cannot be revealed.

Both new and old security rules require that a company seeking classified defense contracts must get government clearance for key personnel. If the company gets the contract, it must have clearance for all employees who need access to the classified data.

22 Ford Dealers in Detroit Area Plead No Contest to Price Fix Charge

Twenty-two Ford dealers in the Detroit area pleaded no contest last week to federal price fixing and are await-

ing sentence, probably in May.

The dealers, all members of the Metropolitan Ford Dealers Assn., sell about 40% of the Fords in the Detroit area. They were accused of agreeing on uniform prices higher than the manufacturer's suggested list and on a minimum gross profit of \$225 on each new car.

A similar case is pending against some of the Chevrolet

dealers in the area.

Business Briefs

The House Ways & Means Committee this week called for hearings Mar. 2 in a swift move to implement the Treasury Dept.'s request that gains on sales of depreciated property be taxed as income rather than capital gains (BW-Feb.20'60,p40). The Treasury says the increased revenue (guessed as upwards of \$100-million a year) will enable it to be more liberal with businessmen's requests for write-offs.

The Texas oil allowable for March has been set at a daily 2,900,568 bbl. by the Railroad Commission. The commission set a 10-day schedule for production; that means a 120,498-bbl.-a-day cut from February—which had the same 10-day schedule but with fewer calendar days.

United Air Lines, which this week signed a \$65-million contract to buy 20 Caravelles, also plans to buy a fleet of Boeing 727s. W. A. Patterson, president of United, said he "could use" 40 of the short-to-medium range three-engine planes, which will carry from 65 to 88 passengers. Boeing says it will be ready to take orders for the 727 this spring for delivery in three years; trade circles expect it to cost something above \$3-million.

Federal Trade Commission wrapped up one old merger case this week, then filed a brand new one. It announced that Diamond Salt Co. had agreed to sell mining property acquired when it bought Jefferson Island Salt Co., of Louisville, Ky., in 1957. Then, in a separate action, it charged Warner Co., Philadelphia ready-mixed concrete producer, with violating the anti-merger law by acquiring two smaller Pennsylvania competitors.

FRUEHAUF – LEADER IN IDEAS AND EQUIPMENT That Reduce Shipping Costs

American industry's most diversified array of transportation equipment and services is to be found in the Fruehauf line of specialized Truck-Trailers and Container Systems, available through Fruehauf leasing or finance plans and serviced by Fruehauf's nationwide network of factory branches.

There are high capacity Fruehauf Volume \$\pi\Vans\$ for dry freight, refrigerated and insulated units for perishables, "Cattle Cruisers" for livestock, and Stainless Steel Volume \$\pi\Vans\$ for exceptionally long service. There are gasoline and chemical tanks, edible liquid transports, bulk flour Trailers, hot commodity vessels, and Tank-Trailers that automatically discharge powdered chemicals or cement.

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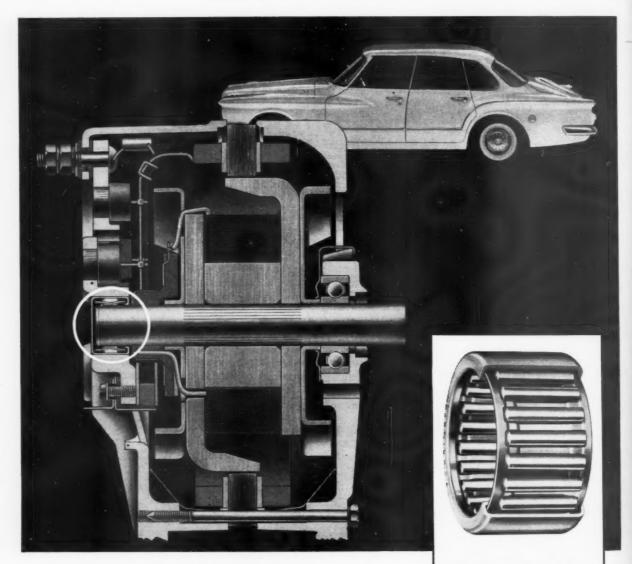
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Torrington Drawn Cup Roller Bearings Used in Valiant's Alternator

Compactness, efficiency, economy, reliability... these are outstanding features of Chrysler Corporation's exciting new small car... and of Torrington Drawn Cup Roller Bearings. Used by Chrysler in the Valiant's new alternator system for electrical power generation, these bearings provide smooth, trouble-free operation and long service life without need for relubrication.

Torrington Drawn Cup Roller Bearings offer performance advantages in all types of generators and appliance motors. The cost is remarkably low...in many cases, armature bearing costs have been lowered by as much as 50%. For advice on the application of Torrington Drawn Cup Roller Bearings to your specific problems, call or write your nearest Torrington district engineer.

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- Highly efficient roller guidance
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WASHINGTON OUTLOOK

WASHINGTON BUREAU FEB. 27, 1960 The first major break in the Democratic Presidential race seems near.

The next five weeks should produce some clarification in the fuzzy, confused picture. During that span of time, at least one—and probably both—of two major events now under way will have run its course.



The first is the political blitz in Wisconsin, the saturation campaigns being conducted by Sens. John F. Kennedy and Hubert H. Humphrey in the state's Presidential primary. Some sort of result, although not necessarily a conclusive one, will come in the Apr. 5 voting.

The second is the civil rights debate in the U.S. Senate, where in rather dramatic fashion Sen. Lyndon B. Johnson is developing a substantial foundation for his bid to win the Democratic nomination. There is no absolute time limit on this. But odds are it will be settled during these coming weeks.

Over-all, there hangs the shadow of Adlai E. Stevenson. He refuses to say "yes" or "no" about himself as a candidate and declines to indicate his personal preference among the remainder of the field.

The effect of Stevenson's waiting game can be illustrated best by a reference to the popularity poll, published this week, that Rep. Robert W. Kastenmeier conducted among his Democratic constituents in the 2nd Congressional District in Wisconsin.

Despite the fact that Humphrey and Kennedy are in the midst of what may be the most intense campaign ever conducted in a single state's Presidential primary, the poll shows Stevenson leading both in popularity among Democrats of the district—and without overtly raising a political finger.

What this means has the Democratic Party's most liberal strategists worried. Kastenmeier's poll, it is true, is not based on any scientific sampling. But it demonstrates, nevertheless, the basic fact that the so-called Democratic liberals—those who would insist on a Humphrey or Kennedy nomination as opposed to, say, a Johnson nomination—are badly and deeply divided. They still have found no political home for 1960.

This is particularly frustrating to Humphrey and Kennedy. The Wisconsin system is such that, without any extra elements of confusion, a clear-cut victory will be difficult to obtain. For example, it is possible (and, as of now, it seems probable) that one of the candidates will pile up a sizable majority of the popular vote and still win only a trifling minority of the state's 31-vote delegation to the nominating convention.

The big Democratic hope for Wisconsin is that the result, whatever it is, will force Stevenson finally to declare himself either in or out. And, if the latter, then to declare his preference. Only time can tell whether this sequence will occur.

Johnson becomes a more formidable figure in the race. He is both talking and acting tough about breaking the incipient Southern filibuster against civil rights legislation. The outcome now seems predictable. In the weeks just ahead, Johnson will steer through the Senate a strong bill to guarantee and protect Negro voting rights in the South. He counts on a big impact among party pros—and their vital minority constituencies—in the North and East, where he must make a breakthrough if he is to get the nomination.

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU FEB. 27, 1960 Johnson's case rests on four major bases. The first is that the country will demand political moderation of the next President. This is an appraisal that Republican strategists concur in and which causes them to regard Johnson—the most moderate of the Democratic lot—with increasing concern. The second is that organized labor, while hostile, would not bolt if he were to win the nomination. The third is that events now in motion should help strip away suspicion of him as a "Southerner." And the fourth is that his Southern support, in the end, would stay with him simply for lack of anywhere else to find an effective political haven.

On the Republican side, a Nixon-Rockefeller accord is in the offing. The GOP's top strategists find cause for extreme elation in the "thaw." New York's Gov. Nelson Rockefeller began it, with public praise of Vice-Pres. Richard M. Nixon's moves toward outlining a "progressive" program for the party in the 1960 election campaign and beyond.

The Vice-President will make the next move. An amiable public meeting of the two is foreseen for the near future as a further demonstration of party unity and accord. Nixon's forces now see it as one of 1960's imperatives that Rockefeller accept, at the very least, a major role in the Republican nominating convention. Getting Rockefeller's acquiescence is going to be the Vice-President's personal job.

If you find money tight, try the Small Business Administration as a source of credit. The SBA has more than 50 offices scattered around the country and they are lending money at a rapid clip. But the agency's new estimates indicate the bottom of its financial barrel cannot possibly be reached before the current fiscal year ends on June 30.

SBA has about \$200-million to lend as of now, and Congress is in the process of replenishing the kitty with another \$50-million.

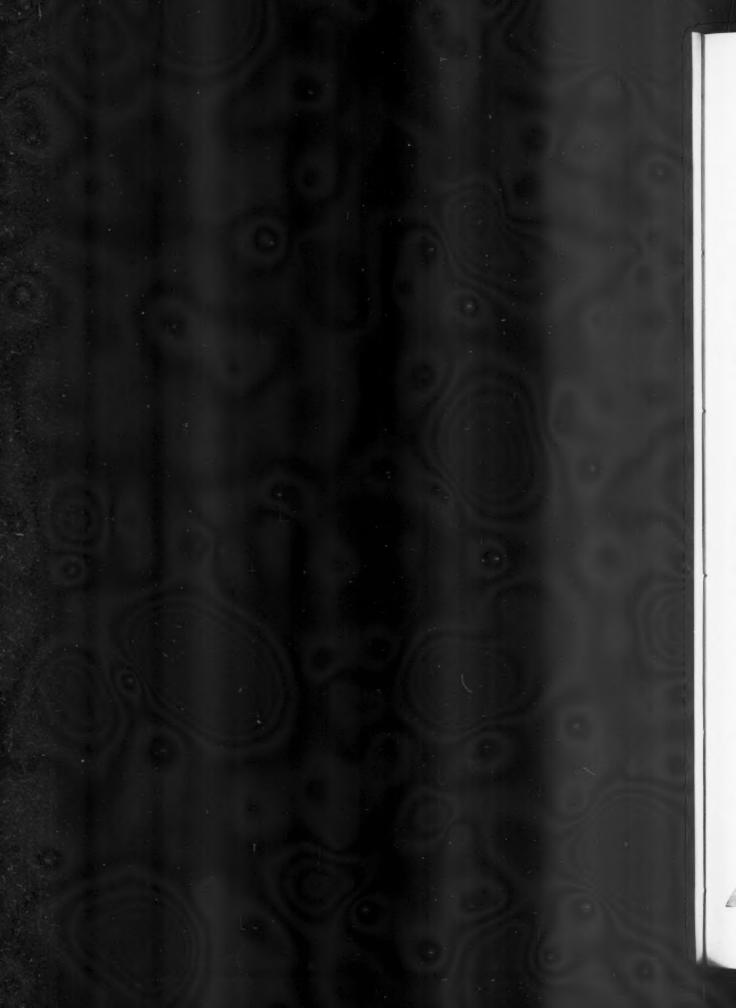
Loans of \$200,000 or more are not unusual, and SBA can put as much as \$350,000 into a single loan. Many loans are made in participation with private banks, which find this a convenient method for taking care of more customers than would be possible if they were lending only their own funds. SBA is a fairly big operation. Over the second half of last year, it made about 1,600 loans totaling \$69.5-million.

Disappointment for two sectors of business seeking federal help:

The private atomic industry, which wants a bigger role in peaceful development of the atom, has made no headway with its demands for reduction of activities in the federal laboratories. Sen. Clinton P. Anderson, chairman of the Congressional Joint Committee on Atomic Energy, balks at the idea of even holding new hearings on the subject.

Commuter railroads are faring only slightly better. A House committee has agreed to four days of hearings, beginning next week, on their critical problems. But pleas for federal assistance—including, among other things, tax advantages and low-interest loans—attract little more than sympathetic nods. Congress will listen, then decide that problems of the commuter lines are local in character and must be solved by the handful of big cities to which such carriers are of vital importance.

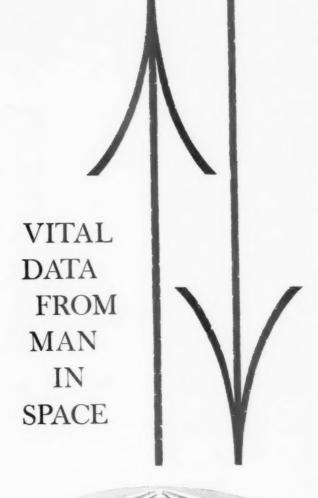


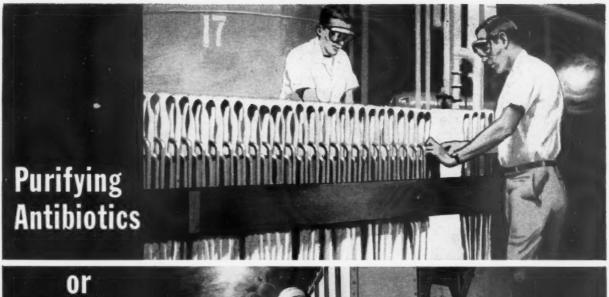


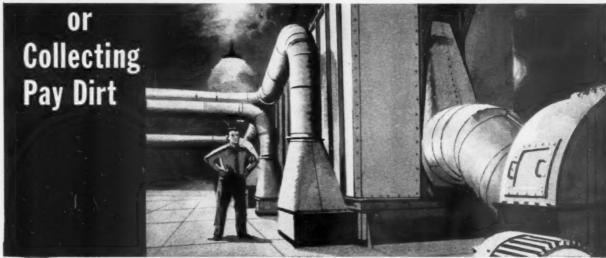


Putting an astronaut in orbit is only the beginning. Vitro, through its Nems-Clarke division, is supplying all ground r.f. telemetry equipment for Project Mercury. Purpose: to receive and record 68 different signals at 17 tracking stations around the world-telling specialists on earth how man and equipment react to conditions in space. Another example why Vitro means more than atomic energy...space electronics.

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Wellington Sears fabrics: common denominator for contrasting problems

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protective coverings and other industrial uses—they can rely on Wellington Sears. They know that to specify Wellington Sears fabrics is to specify quality materials built to do the job required.

Whether you're thinking for today or planning for tomorrow, looking for cotton or synthetics, cail on Wellington Sears to help solve your fabric problems. Write for free informative booklets, "Modern Textiles for Industry" or "Filter Fabric Facts," Dept. C-2-27.

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BOLIVIAN tin miners and other Latin American workers are becoming a political force as their unions stress nationalistic goals.

A Look at Latin American Unions

What do Bolivian tin miners (picture) think of the future? What do they want? What are their hopes?

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The latest development in the Cold War–Cuba's left turn (BW–Feb.20 '60,p47)—gives these questions a new urgency. The Organizacion Regional Interamericana de Trabajadores (ORIT) has warned of new Communist efforts

to control the Latin American unions.

ORIT, Western Hemisphere branch of the International Confederation of Free Trade Unions, has offices in Mexico City. It claims to have 44 affiliates in 32 countries, representing some 20-million workers. It is backed by the AFL-CIO, ORIT's activities are largely educational. But it was instrumental

in destroying the control Communists had over Latin American labor in the immediate post-World War II years. Pres. Eisenhower's goodwill tour of

Pres. Eisenhower's goodwill tour of Brazil, Argentina, Chile, and Uruguay and Anastas I. Mikoyan's recent visit to Cuba point up the fact that the Cold War has moved to this hemisphere.

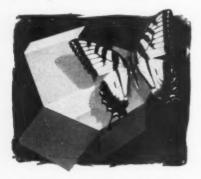
The unions in Latin America are

in packaging

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is pronounced

Ingenuity (In-je-nu'-i-ti)



If there were a popular demand for butterfly wings, Weyerhaeuser Ingenuity would package them to give you a selling advantage

Weyerhaeuser knows packaging from the ground up—from the tender shoots of tiny saplings to the whims that ring cash registers. Weyerhaeuser boxboard plants supply quality materials with which specialists work in creating sales-building inducements to influence shoppers.

At Weyerhaeuser, knowing what folding carton to make is just as important as knowing how best to make it for user convenience... product protection . . . distributor and dealer approval . . . visual appeal. Working as a team, the Weyerhaeuser group welcomes packaging problems. For advanced thinking in your folding cartons . . . write Weyerhaeuser.

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This booklet can give you a new concept in packaging. See why working-with-Weyerhaeuser is the answer to folding cartons.





Boxboard and Folding Carton Div. Headquarters 919 N. Michigan Ave., Chicago 11, Ill.

... American companies are likely to find that they are targets for enforcement of labor legislation . . .

(STORY starts on page 45)

crucial to the outcome of the U.S.-Soviet struggle in the Americas. What they do turns on the hopes and aspirations of the Bolivian miners and other Latin American workers.

Both sides have been wooing them for some time now. And, since American management has more dealings with Latin American unions than with any other labor group outside the U.S., what happens in collective bargaining between U.S.-owned companies in Latin America also impinges on the larger issues of foreign policy.

• Major Trends—A broad look at Latin American labor reveals two important trends:

· Unions are driving for higher wages, not only to increase the workers' standard of living, but also-somewhat more desperately-to catch up with a galloping inflation that runs through most Latin American economies. This has led many unions to seek U.S. union knowhow through ORIT and the trade secretariats of the International Confederation of Free Trade Unions. It accounts for the Americanization in collective bargaining taking place in some parts of Latin America. The unions want to be more efficient and more powerful in their dealings with emplovers.

• The unions are imbued with a rising nationalism. In this aspect, they do not differ appreciably from unions in Africa and Asia where unions serve nationalist aspirations. Indeed, the Latin American unions are one step ahead of the African-Asian unions since they also serve as collective bargaining instruments as well. Because of nationalism, Latin American unions will remain more political—more radical—than U.S. unions no matter how much of U.S. collective bargaining technique they may absorb.

These two sometimes contradictory trends run through all of Latin America. And they serve to explain much of what may seem puzzling to the North American businessman.

Ideology helps explain, for example, why the unions are so political in most of Latin America. It also explains why, as U.S. companies operating in Latin America know, collective bargaining frequently means dealing with the government as well as with the labor unions.

• Political Dependence—The unions are frequently dependent on the political leaders of the ruling party, hence the government. But this isn't entirely a one-way street in political terms though it may seem so in terms of

straightforward collective bargaining matters,

In many Latin American countries, the political parties fathered the unions. In some cases, it has meant a complete dependence upon the government, as in Brazil where the government imposes a tax on all workers, union and nonunion alike. The National Bank keeps 1% of the money as the collecting agent for service rendered; the government keeps 20%, allegedly for operations of the Labor Dept., but actually for a political slush fund, and the rest is distributed among the unions, with national unions receiving a larger share than locals.

Cuba has a somewhat similar system, adopted in Batista's regime. In Mexico, Chile, Costa Rica, El Salvador, and other countries, labor legislation provides that upon the request of a union, an employer must institute a check-off of union dues.

But—and here's one of the many contradictions you find in the Latin American labor movement—most unions in Latin America are financially weak with the exception of these in Cuba and Brazil. Largely, this is because checkoff legislation as well as much other labor legislation is never strictly enforced.

• Popular Targets—Nonetheless, American companies—along with the larger nationally owned concerns—are likely to find that they are the targets for enforcement of what labor legislation there is on the books. It builds popularity for politicians and further coments the political side of union life in Latin America.

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Governments that had been lax in enforcing these laws suffered sharp reversals in recent years as governments in Latin America shifted from a military to a popular base.

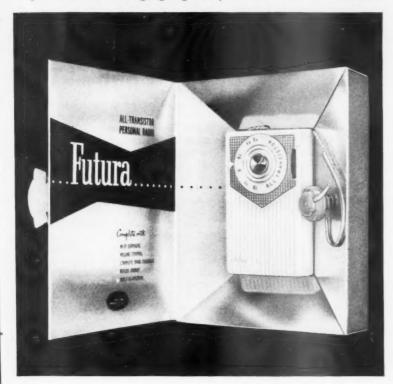
"Rising nationalism," says Adolf Sturmthal in a study prepared for the Senate Subcommittee on Latin American Affairs, "tends to insure that the laws are more rigorously enforced against foreign-owned firms."

So, American operating companies in Latin America can expect to come up against a bewildering array of social and labor legislation.

An outstanding example of legislation discriminating against foreign companies are laws regulating employment of foreigners. Costa Rica, a typical example, requires that 90% of all employees must be nationals and at least 85% of the payroll must go to them. Although such laws allow companies to bring in specialists when persons of

46 Labor

Weyerhaeuser Packaging Ingenuity at work for Bell Products



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Self-Display! Impact! Economy!

Bell Products got them all in this novel

Carton by Weyerhaeuser

THE PROBLEM. A carton to "merchandise" miniature radios—with sufficient bulk for easy handling . . . stability at top, bottom, corners, for product protection and sustained shelf-beauty . . . striking design that invites inspection, enhances product appearance . . . economy for volume-priced sales.

THE ANSWER. This unusual book-type package by Weyerhaeuser that displays the radio in a gold "picture frame" setting. Inside of cover carries same selling copy as outside to attract attention whether open or closed. Easy to fold and fill, it's another reason why Bell Products Co. of St. Louis says, "25% of our sales result from Weyerhaeuser know-how in merchandising."



Cartons are single die-cut sheets of boxboard, gold-coated on one side and so folded that the inside of the double-thick cover extends to form one side of the "picture frame." Tab for locked closure "floats" between the cover sheets.



Inner edges of the side "picture frame" members are glued to the bottom section so that folding the carton automatically forms the frame bevels, and assembly is locked by folding over the two end cutouts. Instruction sheet is slipped under the "picture frame," the earphone goes into a receptacle at one side, and the radio fits snugly within the gold display case, yet may be removed for ready inspection.



Write today for this interesting folder. It tells the whole Bell Products packaging story.

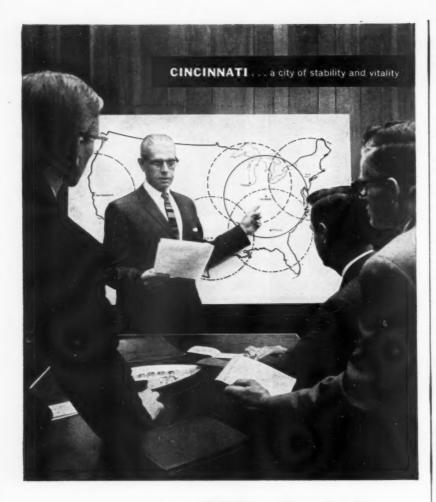


Weyerhaeuser Company

Boxboard and Folding Carton Division

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For studies show that approximately onehalf of the nation's business is conducted within 500 miles of Cincinnati. Over onehalf of the workers, over one-half of the nation's manufacturing payroll is here. 45% of the nation's population. 38% of the wholesale trade. 42% of the retail trade.

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The Cincinnati Gas & Electric Company

The Union Light, Heat and Power Company

Serving homes and industry in the Greater Cincinnati Area with an adequate and dependable supply of gas and electricity.

. . . legislation on collective bargaining is a mixed blessing for employers . . .

(STORY on p. 45)

equivalent skills are unavailable, most companies go out of their way to train Latin Americans. Incidentally, this means incurring an additional cost burden—high enough in early years of a company's arrival on the South American scene to discourage investments, according to some economists.

• Legal Restrictions—Foreign companies are also likely to find that other collective bargaining matters are severely regulated. In Brazil, a legal strike must be authorized by a court, while in Mexico a conciliation and arbitration board has the power to declare a strike illegal. Such legislation is frequently a mixed blessing to employers since it apparently guarantees that "illegal" strikes will be more violent and disturbing of labor-management relations. And, there may be other penalties: In Panama, if a court decides an employer instigated a strike, he can be ordered to pay wages for the duration of the walkout.

Surprisingly, in socially conscious Latin America, there are only a few countries that provide unemployment compensation. Instead, laws are directed at freezing employment. (Latin America suffers from chronic under-employment.) Employers are severely penalized for layoffs by compulsory systems of dismissal compensation. Since lavoffs get more expensive the higher the workers are on the seniority list, there is a tendency in many Latin American countries for high labor turnover in the earlier stages of employment. Brazil is the classical example of how this works; it's virtually impossible to fire an emplovee if he manages to hang on for 10 years.

Social security legislation is extensive. It embraces nearly everything-from old age assistance payments to the maintenance of low-cost housing and medical care. In Ecuador, for example, workers and employers contribute 7% of wages to the Institute of Social Insurance. In Chile, costs are even higher; employers pay 45% of basic wages into a social security fund, workers about 8%.

• Fringe Benefits—Nonetheless, American companies in Latin America frequently find themselves responsible for an astonishing variety of social services. U. S.-controlled copper mines in Chile furnish free housing, utilities, medical care, recreational facilities, elementary schooling, and aid to children for secondary and technical schooling.

Even with so many benefits, workers

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Metal Finishing Machines...and Methods • Industrial Brushes • Foundry Production Machinery

. . . wages are not high by U.S. standards and are seriously eroded by inflation . . .

(STORY on p. 45)

are not always satisfied. As a result of the growing birth rate and declining death rate, they find themselves with more dependents and, consequently, with a need for more money. This, in part, explains why unions are giving wages more collective bargaining attention. They also can be expected to push harder for enforcement of labor legislation now on the books.

· Wage Laws-Wages, as you might expect, are not free from government intervention. In Mexico, the government is seeking to hike minimums in lower job categories while holding down top minimums found in auto, chemical, and petroleum industries. Minimum wages in the Federal District around Mexico City were recently hiked from 96¢ a day to \$1.16. Wages in the district-highest in the nation-average \$1.16 a day for non-skilled workers, \$2.30 a day for semi-skilled, and \$3.50 a day for the skilled.

There is a considerable evasion of minimum wage laws in many Latin American countries. And, for many jobs, it will probably continue as the peons drift to the city, swelling the ranks of the unemployed unskilled and semi-skilled workers. At the same time, there is a shortage of skilled labor in many Latin American countries, which

is hard to eliminate.

In Ecuador, Commissions on Minimum Wages representing labor, management, and town councils are empowered to set minimum wages. But most of these commissions have not met in eight to 10 years. Wages in Ecuador range from 45¢ a day to 60¢ for unskilled and semi-skilled workers. Skilled workers earn \$1.80 to \$2.50 a

Wages are not high, certainly not by U. S. standards. And, they have been eroded by serious inflation. "Last year's inflation was a moderate 7%, says a Columbian economist. In Chile, the cost of living rose 331% in 1959. · Union Gains-Management, partly because of the highly political nature of Latin American bargaining, isn't in the position to resist wage demands as U.S. employers tried to do in last year's bargaining. Recent settlements indicate that the unions are scoring well. In Venezuela, negotiations with the big three oil companies-Creole Petroleum, Shell, and Mene Grande-ended with a 10% to 12% wage increase; the average skilled worker jumps from \$84 to \$93 a week. The industry claims that the total bill will come to \$100-million

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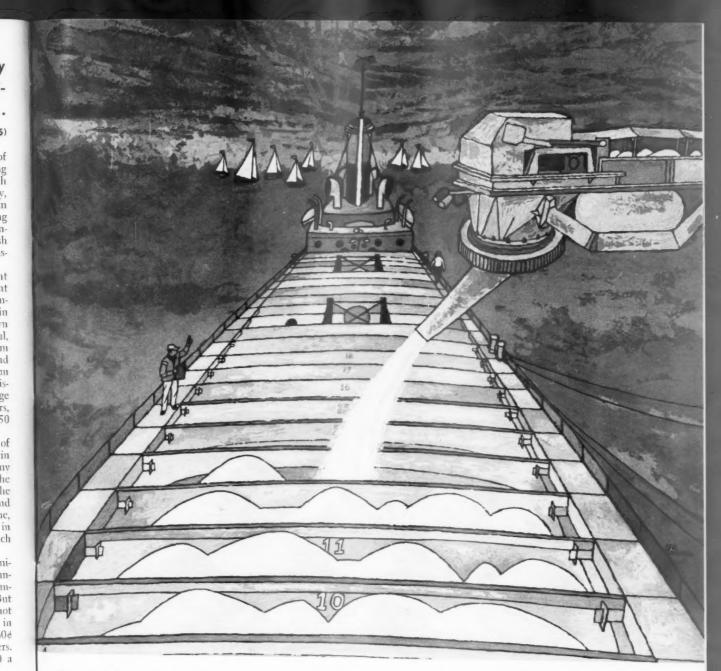
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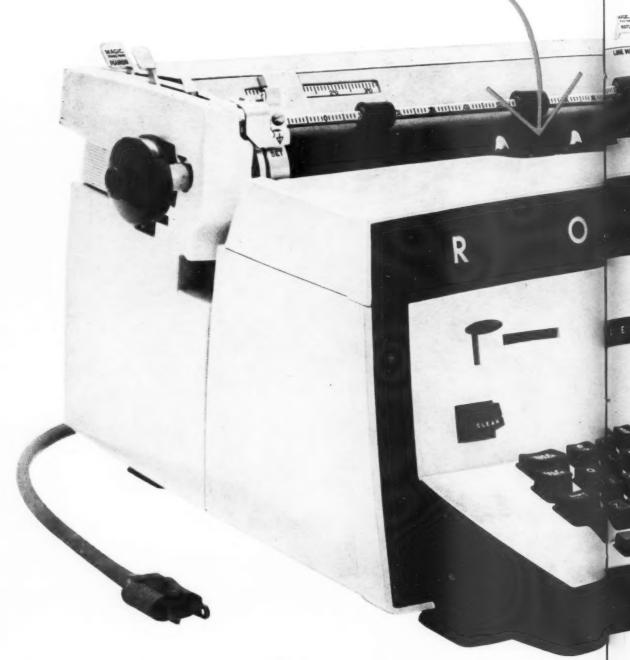
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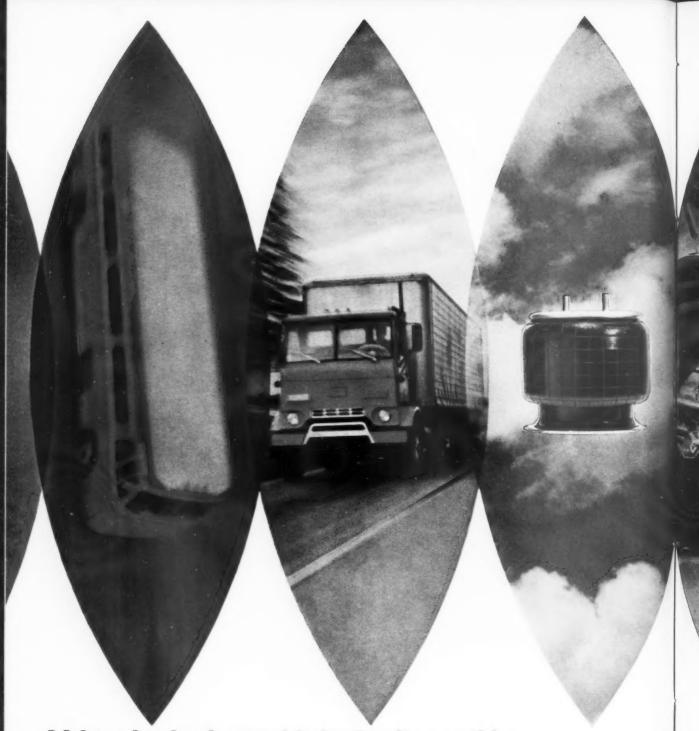
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... the outlook is for more trouble than the current collective bargaining roundup indicates . . .

(STORY on page 45)

annually to cover all the contract gains.

Copper bargaining is under way in Chile. Braden Copper has already signed an agreement providing a wage increase of 28% in the base rates, plus a one-shot \$100 bonus.

• Strike Record—At the moment, the collective bargaining scene is relatively calm. But employers in the past have complained of a high frequency of strikes. Sturmthal in his survey found that nearly every Latin American country has had a general strike or wave of strikes in recent years. The main issue, he found, was wages. But there were a significant number of strikes over social, economic, and trade unions policies of governments as well as a number of purely political strikes.

Foreign-owned enterprises frequently were involved primarily because they just happened to be in high-unionized sectors. The strike duration was short compared with U.S. strikes and generally had less economic impact. But, when severe, they shook governments.

• Troubled Outlook—The outlook is for more trouble than the current round-up of collective bargaining indicates. ORIT unions have been losing ground as nationalism has been on the increase. The Communists have been quick to take advantage of this—and, as in Africa, are pushing a regional federation of labor for Latin America without ties to Washington or Moscow.

Most observers believe that they will make considerable headway against ORIT, which many Latin Americans feel is too pro-U.S. The Castro-controlled Cuban federation of labor broke ORIT ties recently. And the Venezuelans, who were on the verge of joining ORIT, decided not to do so. Both are powerful labor blocs. At the same time, the ICFTU secretariats—organized on trade-industry lines—are making new gains in Latin America. Four years ago, for example, the Postal, Telegraph & Telephone International had two affiliates in Latin America. Today, it has 56 national unions in 18 countries. This year some eight other secretariats are opening offices in Latin America.

The secretariats get much more directly into bargaining and organizing than does ORIT or the parent ICFTU. This, perhaps, explains the growing popularity of the trade secretariats as against the more political ORIT—in the sense that it has carried on a fight against Communists within established unions in Latin America.

BUSINESS WEEK • Feb. 27, 1960



Your Firestone Tech·man's payload ideas for truckers: "put the pair on air!"

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Strike Ends Where It Began

Packinghouse workers accept virtually the terms that Wilson & Co. offered before 109-day walkout started. It's one more sign of tougher management stand.

Management bargaining continued to demonstrate its new tough and unvielding line last week as Wilson & Co. signed with its principal union on terms basically the same as those offered before a 109-day strike.

The Wilson & Co. settlement, substantially on its terms, came as an underscoring of labor's concern over the collective bargaining outlook for 1960-a concern that was obvious during the AFL-CIO executive council meeting in Florida the first of this month. Union leaders showed no confidence of successes ahead.

The most optimistic expressed a hope of peaceful settlements in a "pattern' 8¢-to-11¢ range of hourly increases, or about 3%. Several union presidents indicated they expect to have to fight

for even that much.

• Talk of Steel-Shortly after the steel settlement early this year, unions hailed the "great victory" over basic steel employers. They predicted that the contracts won by the United Steelworkers would turn back employers from "their so-called 'right to manage' drive," and soften their position against substantial wage increases this year.

AFL-CIO's executive council called for new wage drives to support an expanding economy, but this was more talk than expectation. Very little was said about USW's "victory" in steel bargaining. And although AFL-CIO Pres. George Meany made some hopeful remarks to the press about a "clearing" labor-management atmosphere, a number of executive council members noted pointedly afterward that they haven't seen encouraging signs of it.

One of them was Ralph Helstein, president of the United Packinghouse Workers, a union that struck stubbornly against Swift & Co., then became em-

broiled with Wilson & Co.

• Wilson Dispute-UPW struck seven Wilson plants last Nov. 3, after negotiations deadlocked over terms of a new contract. The walkout involved 5,650 workers, but the company managed to restore partial operations of its plants.

The strike was marked by violence, and on Dec. 11 Minnesota Gov. Orville Freeman declared martial law and sent the national guard into Albert Lea to disperse pickets and shutdown the Wilson plant there. Gov. Freeman's order closing the plant was later overturned in court, and the plant reopened with 500 nonstrikers.

By the first of this year, the issue in

the continuing strike by UPW was less one of contract than of job rights for strikers. The union demanded that all strikers must go back to work under any settlement that might be reached. The company said that replacements employed during the walkout are permanent employees in the jobs they were hired to do-and would not be laid off to make openings for returning strikers (BW-Jan.30'60,p93)

Early this month, Wilson had about 4,000 working, roughly two-thirds of its normal work force. The union estimated that if it settled then, at least 2,400 members might lose jobs. It held outbut with growing hopelessness.

• Settlement-An independent tional Brotherhood of Packinghouse Workers was busy organizing in the Wilson plants. This added to UPW's concern. It recognized, realistically, that if it continued to maintain what obviously was a losing strike, it faced a threat of losing out entirely.

So, last week, it agreed to settle on pretty much the company's termswith only limited assurances that strikers will regain jobs. The company said that strikers will be recalled "slowly" as operations are stepped up, but gave no

assurances all will get their jobs back. The rights of strikers to jobs will be considered by three arbitrators.

The new contract approved by UPW strikers is a two-year agreement with a "package" value estimated by the union at 251¢ an hour and by Wilson at about 22¢ an hour. As the company figures it, the agreement is for an 81ean-hour wage increase retroactive to Sept. 1, 1959; a 6½¢ increase effective Sept. 1, 1960, and about 7¢ an hour more in fringes over the contract period.

· Wilson Terms-According to Wilson & Co.'s president, James D. Cooney. the wage terms are the same as those in a company offer to the union on Sept. 3 "with certain exceptions." The offer was put into effect last Scpt. 22, retroactive to Sept. 1. Nonstrikers have been receiving the higher rate.

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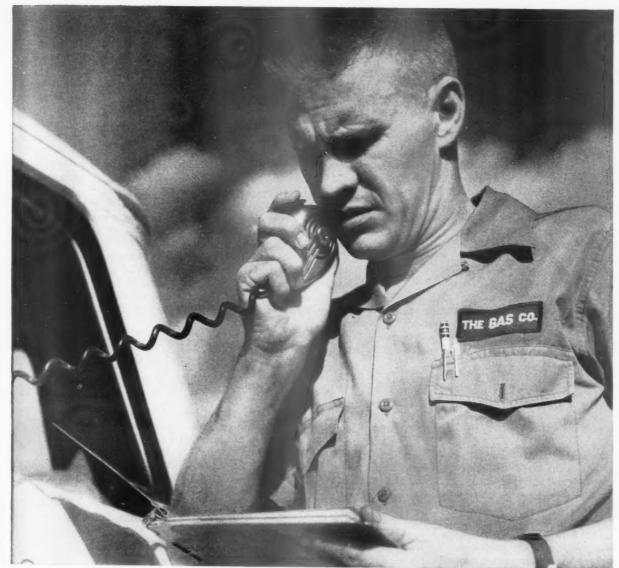
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The company said the agreement "contains none of the features originally demanded by the union which were objectionable to the company because they were considered an infringement on management responsibilities.

Moreover, it said, the company gained concessions on "certain work rule changes . . . which will enable the company to operate its plants more efficiently." END



More people than ever share in the growth of the Columbia Gas System

In 1959 over 3,200,000 homes and businesses used an alltime high of 736 billion cubic feet of natural gas delivered, directly and indirectly, through the Columbia Gas System — 36 billion more than in 1958.

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Despite the prolonged steel strike the System delivered more gas than ever to the growing industrial complex it serves in 7 states—New York, Ohio, Pennsylvania, Kentucky, West Virginia, Virginia, and Maryland.

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In Labor

Court Dismisses \$200,000 "Loan" Charge Against Ex-Teamster Beck, Two Truckers

A federal district court judge in New York last week dismissed an indictment against Dave Beck, former president of the Teamsters, two trucking company executives—Roy Fruehauf, chairman of the Fruehauf Trailer Co., and Burge M. Seymour, president of Associated Transport, Inc.—and their companies.

Judge Sidney Sugarman ruled that a complicated financial transaction through which Beck got \$200,000 in 1954 was "pure and simple, a loan." It violated no law on federal statute books at that time, the judge said.

The indictment obtained in June, 1959, charged that the transaction was illegal under a 1959 amendment to the Taft-Hartley Act.

Fruehauf, in Detroit, called the dismissal "complete vindication." The government is considering an appeal.

Beck has been convicted in two other cases. He is appealing verdicts that could mean eight years in prison and \$70,000 in fines.

Survey Finds Issue of Increased Dues Closest to Hearts of UAW Delegates

At the United Auto Workers convention last October, speakers hammered away at the need for political action to protect and increase organized labor's stature. That appeared to be the prime interest of 2,400 delegates. But, it wasn't.

A survey undertaken by Michigan State University at the convention indicates that only 7% of the delegates listed political action as the issue of "first importance" for them at the convention. First on their list? A proposed dues increase—a hard-cash issue for them.

Generally, the preliminary summary of Michigan State's findings indicates that the delegates' interest in union affairs, age, education, and activities in unionism might all be different from what was expected.

MSU tabulated 1,800 replies to a questionnaire. These show the delegates' average age was 42. Three-quarters had some high school education; 15% had been to college, 10% had only a grade school education.

Most of the delegates (78%) were semi-skilled workers. More than half had joined UAW since World War II; nearly a half were attending a UAW convention for the first time.

Building Trades Unions Seek Change In Landrum-Griffin Picketing Rules

Building trades unions, backed by AFL-CIO, are pressing in Congress for changes in anti-picketing provisions of the Landrum-Griffin Act. They want an amendment that would specify that picketing against a nonunion contractor on the site of a construction project is not an illegal secondary boycott.

The proposal has wide acceptance on Capitol Hill and some support within the Administration. But nonunion contractors are pleading with Congress not to ease picketing restrictions. They say that if the change sought by the building trades is made, many nonunion employers "will have no customers in a matter of a few hours or days."

One, Roy Fry, of Chicago, told a House subcommittee recently that he and his father were expelled in 1945 from an old AFL craft union because they insisted on taking jobs "where we could find them," despite union rules that limited "the areas where we could do business." They joined a Teamsters local at the time so they would continue to hold union cards. Since then, Fry told the Congressional hearing, their former union has been "trying to drive us out of business"; even though Fry has "repeatedly offered to sign a contract with the union to hire its members—they have continued to refuse me a contract down to this very date," Fry testified.

He has been able to remain in business because of secondary boycott protections in the law; if they are removed, he said, it will "certainly end my business."

AFL-CIO Earmarks \$100,000 for Drive To Organize Reluctant Farm Workers

AFL-CIO has set aside \$100,000 for a campaign to unionize farm workers—with those in the rich San Joaquin Valley of California a major target.

AFL-CIO's National Agricultural Workers has a sparse 4,500 members. The United Packinghouse Workers represents some 3,000 on large farms in California, Florida, and Texas—plus 30,000 sugar workers in Puerto Rico. The Amalgamated Meat Cutters & Butcher Workmen has "some farm workers" in the East.

Steelworker Foes Resume Attacks On McDonald Despite His Gains

David J. McDonald's position as president of the United Steelworkers was strengthened substantially by the terms of contracts signed with major steel employers. Even so, McDonald critics within the union are now coming out into the open again, with a new threat to USW unity.

An anti-McDonald local union paper at Jones & Laughlin's Aliquippa (Pa.) works commented recently: "After 116 days of struggle, we got a bag full of crumbs." The criticism was by Donald C. Rarick, who ran against McDonald in the last USW election—and rocked the union by the vote he got.

The Rarick forces plan to marshal strength for an opposition bloc at USW's convention this September. The opposition's success there will determine whether Rarick—or anyone—challenges McDonald in a referendum election early in 1961. Right now, odds are that nobody will, but having underestimated the opposition once, McDonald won't again.

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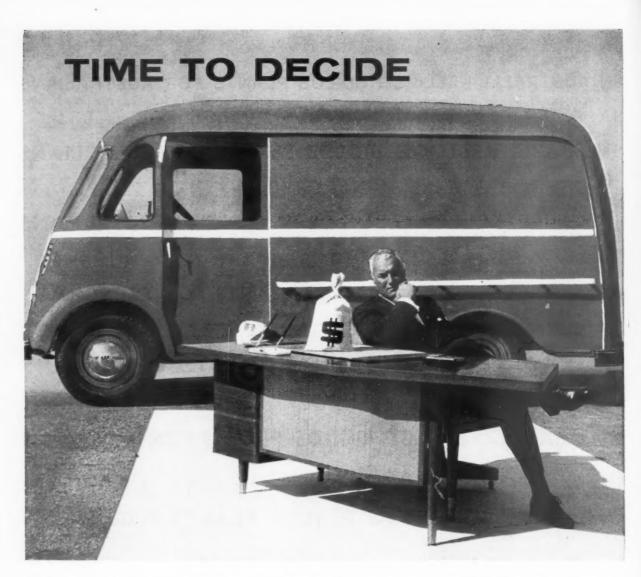
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Electronic Grading

The electronic machine at the left, by eliminating a lot of the guesswork in cotton grading, aims to meet a long-felt need for an accurate and dependable machine to speed up measurement of the grade and staple length of cotton fiber. The electronic device combs the fibers, then measures their length electronically to a hundredth of an inch.

The machine was developed by Dr. K. L. Hertel at the University of Tennessee's fiber research laboratory, and is being manufactured by the Spinlab Corp. of Nashville.

The grading job is now done by skilled workers who comb the cotton fibers by hand and grade them visually, at a much slower pace and less accurately than the machine.

The combination comber and electronic measuring instrument can handle about 100 samples per hour, about three times the workers' speed.



Portable Breather

This portable oxygen generator, operating from ordinary 115-volt electrical outlets, has been developed by Aerojet-General Corp.'s Chemical Div. for hospital and industrial use, to eliminate the need for heavy steel cylinders of compressed oxygen.

The generator produces 10 liters of oxygen per minute, at a pressure of 5 psi. The prototype model requires less than 10 amperes of power to produce oxygen of about 75%-85% purity.

Cost should be competitive with oxygen by the bottle, at least in the company's area, officials say. Because of patent problems, the company will say only that oxygen is not extracted from the air by liquefaction, the usual method in large capacity plants.



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Built for Its Tools

This all-purpose vehicle represents a complete design switch for power units. It's designed around the needs of the power attachments that are used with it, thus reversing the usual procedure. Generally, makers of truck and tractormounted power tools build these attachments so they can be mounted on any kind of vehicle.

Ottawa Steel Div. of Young Spring & Wire Corp., Ottawa, Kan., felt this usual approach limited the over-all usefulness of its digging, lifting, and hauling devices; and that's why it built its new 52-hp. power unit around the needs of the attachments. Its special transmission, for example, permits speeds ranging from a controlled creep at full power to an over-the-road speed



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of 35 mph. The unit is available in either two-wheel or four-wheel drive, and can turn in a 24-ft, circle.

Ottawa says one aim is to make life casier for small contractors or city utilities, by making it possible to fit out one vehicle to do three or four different jobs, instead of using separate vehicles for each job.

Contracting and material handling devices now matched to the Ottawa vehicle—called the Commando—include a backhoe, a power crane, a pavement-breaking hammer, a fork lift, a collapsible utility tower, and street-sweeping and plowing attachments. Cost of the vehicle without accessories is \$10,000; with a backhoe, say, total cost runs up close to \$15,000.

NEW PRODUCTS BRIEFS

A new traffic radar of such sharpness that it can discern a slowly moving vehicle, or outline a plane clearly enough so it can be recognized by type, has been developed by Amperex Electronic Corp., Hicksville, N. Y. The new system has a high frequency (35-billion cycles per sec.) magnetron tube that sends out a short pulse only 2/100,000,000 of a second in duration. As a result, the radar is able to resolve objects down to $\frac{11}{2}$ yd. in width or depth.

The boom in aluminum highway trailers has led the Aluminum Co. of America to produce 96-in. wide aluminum roofing sheet, the largest ever produced in the U.S. The new sheet, 3 in. wider than that previously available, will allow trailer manufacturers to fabricate their equipment from one piece of aluminum. It also will lower costs and make for a stronger, more rigid roof structure.

Completely assembled aluminum door frames are now available from the Manitou Mfg. Co., Houston, Tex. The complete unit, which includes the door frame, threshold, inside trim, weather strip, and hinges, can be erected in about 15 min. The homeowner can pick any kind of door he prefers to go with the unit. Advantage of the preassembled aluminum door unit is saving on carpentry and maintenance costs.

A rectangular-shaped abrasive grinding disk has been developed by Behr-Manning Co., Troy, N. Y., a division of Norton Co. The propeller-like effect of the rectangular disk makes the outer grinding edge appear transparent—thereby allowing the workman using the grinder to see what he is doing without having to always be pulling it away from his work.

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DIVISION OF GENERAL MOTORS CORPORATION

Where the Credit Pinch Hurts

- Small companies, and those in a few hard-hit industries, are the chief sufferers. Survey shows that most companies aren't—or say they aren't—much affected.
- Nobody seems afraid of an actual scarcity of credit, and most are prepared to pay even higher rates.
- Only a big upsurge in demand on top of further tightening by the Federal Reserve could bring about a new round of interest boosts. This is unlikely this year.

Since 1951, when the Federal Reserve won the right to pursue an independent monetary policy, the cost and availability of money have been a constant problem for corporate management. At times, as in the tight money squeeze of 1957, it has been a major worry.

Company treasurers resented the high rates that banks charged on loans; they resented even more banks' insistence that they maintain compensating balances, depriving them of the full use of their borrowed money. And because they feared that rates would go even higher and that credit might not be available at all, they stepped up their demands—which had the effect of further tightening an already tight situation.

Today, borrowing is more expensive than it was at the height of the 1957 squeeze (the prime rate is now 5%, compared with 4% in 1957). Banks have many more loans on the books—and appear much more reluctant to increase their lending. Nevertheless, corporations are much less worried today about credit conditions than in 1957. They have no fears of an actual scarcity of credit. And they are prepared to pay even higher interest costs than we have right now.

• Calm View—This relatively calm appraisal of the credit outlook emerges from a nationwide survey of corporate executives made this week by BUSINESS WEEK. While most corporations are paying the highest interest costs in a generation, few executives say they consider this a matter of prime concern. However, despite their protestations, many admit taking steps they wouldn't have taken but for tight money.

Here is what corporations are saying about money conditions:

 More than 90% report that tightness of money will not change overall corporate strategy; the remainder, mostly smaller companies, admit that any further tightening would pinch very hard.

• More than 80% report that their liquid holdings—cash and shortterm investments—are satisfactory. However, many predict a decline in liquidity as they pay for inventories and pay their taxes.

• More than 75% plan to increase their inventories in 1960. A majority in this group report that they will be making only "normal" and moderate—10% to 15%—increases. And about half say they will not have to borrow to do so.

• About 60% plan to step up their expenditure for plant and equipment by a modest amount. But less than half of these say they will do any outside financing.

• While almost every company says it is now paying higher rates on borrowings than ever before, there is no sign that corporations are planning to borrow in anticipation of even higher rates. Nor do they talk of borrowing for speculative purposes

for speculative purposes.

• Reassuring—These responses indicate that corporate credit demand will not get out of hand and precipitate a drastic credit squeeze this year. Fear of this was widespread earlier in the year, but the survey makes clear that there is no mad rush to rebuild inventories that would require heavy borrowings.

This does not mean that borrowing rates are likely to go down. Credit demand this year should be about as strong as it was in 1959, when the banks were hard pressed to meet corporations' calls for loans. If the Fed sticks to its present course of keeping credit tight but not increasing its restrictiveness, the normal seasonal rise in demand at tax time may bring some stiffening of rates—but not any jump to new heights.

But it would take a combination of increasing Fed pressure and a big upsurge in demand to bring about a new round of interest rate hikes. This does not now appear likely, although a good many corporations say that if sales are better than they expect, they will increase their spending—and their borrowing—no matter what the cost in interest.

The financial vice-president of a national food company in the Midwest says: "If you need money, you need it. And you go out to get it. The interest rate is unimportant when you need money."

• Living With It—This reaction appears to be typical of most corporate executives. They have no liking for tight money, but they have learned to live with it.

They have increased and expanded their credit lines. They are keeping closer tabs on their cash positions. They have learned to invest surplus cash in high-yielding short-term paper, mainly 91-day Treasury bills. As a result, they are much more assured than they were during earlier bouts with tight money.

• Symptoms of Pain—Some companies, though, are hurting—mostly because they are small or because they are in one of a few hard-hit industries—con-

struction, lumber, retailing.

One big Eastern contractor says that the high cost of money is postponing a number of building projects, which is crippling some smaller construction outfits. Retail stores in a number of cities complain that high interest costs are narrowing their profit margins to the vanishing point. And a sprinkling of companies in various industries admit that they are depending on factors, whose charges are about double those of the banks.

Many big corporations confirm that smaller companies are having a rough time. A big Chicago manufacturer of machinery says that some of his smaller customers are very slow in making payments; a New York appliance maker makes the same observation. In general, smaller companies are getting the funds they need, but they are paying higher rates than large and medium-sized companies, and they are required to provide greater justification for their borrowings.

While smaller companies are pinched the hardest, bigger corporations aren't altogether immune from the money squeeze. True, they have had little trouble in borrowing, but they are paying rates that are cutting into profits. Thus, the notion that tight money has no effect on company policy must be taken with a grain of salt.

• Inventory Plans-Certainly, the very cost of money explains some of the evi-

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dent caution of inventory policy. When interest rates were much lower, many companies would take a gamble on inventories or even on a downright speculative venture—such as real estate. Now, the high cost of money makes such gambles too risky, even if the banks were willing to lend all the money the companies wanted.

The survey shows that less than 10% of the corporations interviewed plan big inventory increases—on the order of 30% to 50%, the sort of increase that would require heavy borrowing. Only one, a manufacturer of signs and displays, seems to be gambling at all; he plans a 50% increase in inventories because he expects a business boom. All the others who are budgeting for a big rise in inventory spending cite special circumstances.

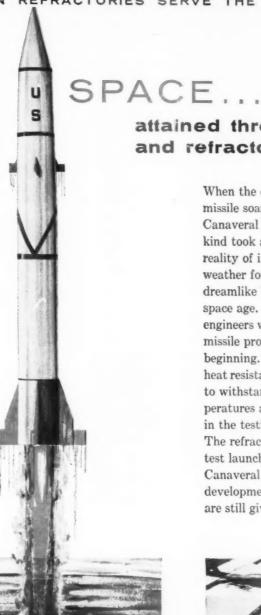
For example, a big Eastern manufacturer wholly devoted to defense work plans a 50% hike in inventories because of new government orders. A Southern drug manufacturer is spending over 20% more for inventories, but only because it has made several acquisitions. A New York garment maker is also planning larger inventories as a result of taking over another firm. He explains: "Ordinarily, we would increase our stocks by 20%, but this year it will be larger because of our new acquisition."

Plans of a majority of companies to increase inventories only moderately seem to have been influenced by interest rates. In many cases, their budgeting for inventory appears to be determined by their ability to finance themselves. Many of them plan to build up their inventories without resort to bank credit, and a somewhat smaller group hopes to borrow less than usual.

• Waiting for Sales—A few companies say they are already overloaded with inventories. For example, a Cleveland metal outfit, which started building up its inventory before the steel strike, says it has too much on hand. A California electronics maker is in the same fix, and companies in many cities report that in their rush to buy goods after the steel strike they have already amassed all the inventories they need.

Some companies are proceeding cautiously, waiting to see what sales will do. A Texas manufacturer of oil industry equipment says he will borrow to increase inventories if sales rise; at the moment, though, the ratio of inventories to sales is much lower than in past years. And a St. Louis electrical equipment maker says that "better handling of materials deliveries" makes it possible to get along on smaller inventories.

 Capital Spending—A similar pattern seems to prevail on capital spending. At one extreme are a small number of companies that plan big increases, A. P. GREEN REFRACTORIES SERVE THE WORLD'S INDUSTRIES



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A DIVISION OF GENERAL DYNAMICS

mainly because of better business prospects or expansion plans; at the other are a small number that plan to cut back their spending. The majority say they will spend at a level somewhat higher than they reached in 1959. Most companies in this group add that they expect to get by without relying on external financing.

• Internal Funds—This do-it-yourself financing indicates that corporations are generating more and more funds internally, but it is also a sign that business is reluctant to pay the high cost of external financing, whether in the banks or in the capital market.

Thus, money rates may not be crimping business, but they are high cnough to make businessmen cautious, unwilling to increase borrowing unless they can see definite profits from it.

They can take this position because they have a fair degree of liquidity. Of course, company treasurers rarely admit to being satisfied with their liquid assets, but, by and large, corporate cash positions are good right now. They are a little below last year's level, but well above the troughs of 1957-58.

These liquid assets will melt a good deal in the next few months as corporations use them for inventories and taxes. Last year, corporations loaded up on short-term governments, particularly when inventory buying declined during the steel strike. Now they will be selling these investments; the fact that they have such paper to sell is one reason that they feel so secure about the credit outlook.

• If Sales Take Off—This cool and cautious attitude may change if sales begin to spurt. Corporations will not hesitate to spend more and borrow more if it appears profitable to do so. Thus, there may be a rush on the banks if sales take off—or if prices start rising.

Then it becomes a question of what the banks will do. The banks today are squeezed much harder than corporations. This contrasts with the 1957 squeeze, when corporations were hit hard. Today, the banks say that, while they have funds available for "legitimate and credit-worthy customers," they look closely at every loan proposal.

Some banks say that they are cutting down on practically all loan demands; others turn down everything but virtually risk-free short-term loans. As one St. Louis banker admits, "We have no room for anything but the best types of borrowers."

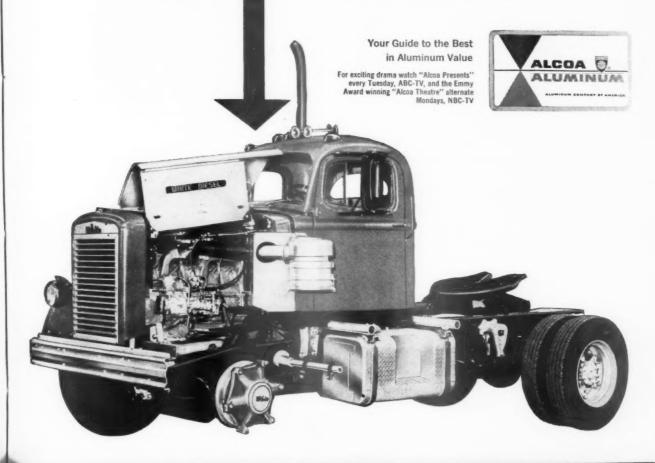
Bankers feel that the Fed will provide the reserves to take care of seasonal loan demands. But if demand exceeds seasonal surges, rates will have to go up. According to one New York banker, "It looks as if we will be able to get through the year without another hike in rates. But we can be surprised—we have been before." END

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Payload and profits go up, maintenance costs down with this new ultra-lightweight White 4400 TDL diesel tractor. It will haul up to 80,000 lb GCW, yet weighs 1,100 lb less than conventional models. And not a bit of heavy-duty strength or performance has been sacrificed. How is it possible? Simple. White engineers, with Alcoa's technical assistance, designed this new series to utilize lightweight, high-strength Alcoa® Aluminum alloys in the following components (unpainted in the photograph where visible):

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In Finance

Georgia Drastically Eases Curbs On Expansion of Branch Banking

Georgia moved toward statewide branch banking last week. Gov. Ernest Vandiver signed a bill allowing banks that already have branches in cities of 80,000 or more to open additional branches in those cities. In smaller towns, banks with branches may open one or two new branches, depending on the size of the town.

The new law seeks to relax a situation that began in 1927 when further branching was prohibited, although existing branches were allowed to remain open. Two years later the law was eased to allow banks to open

branches in their home office cities.

Right now there are only 80 branch banks in the state, but Mills B. Lane, Jr., president of the Citizens & Southern National of Atlanta, the state's largest bank, predicts 25 new bank offices will open up within the next year.

The fight to expand branch banking in Georgia had one unusual feature: It wasn't confined to the traditional war of small country banks in opposition and city banks in favor. The added struggle came from the rivalry between Citizens & Southern and the First National Bank of Atlanta.

It worked like this: Most big Georgia banks have expanded by acquiring affiliates through holding companies. The affiliates in turn have opened branches of their own. But First National of Atlanta didn't do this; today it has only one branch outside Atlanta. And its chairman, James D. Robinson, Jr., thinks the new law gives C&S an "unfair advantage" in cities where his bank has no branches or affiliates, since the law won't allow First National to open new branches in those cities.

Atlantic Coast Line to Spin Off Land Holdings to Shareholders

The Atlantic Coast Line RR took a big step last week to smooth the path of its proposed merger with Seaboard Air Line RR. Directors of Coast Line voted to spin off to its stockholders the line's large Florida land holdings. They authorized distribution of one share of new Alico Land Development Co. stock for each share of

The spin-off was no surprise, since both Coast Line and Seaboard felt the land properties would pose a tough problem in any negotiations. Each was concerned about the different evaluations their shareholders would put on the land. The property consists of roughly 234,000 acres-mostly in the lake and citrus area-acquired a quarter of a century ago. The formation of Alico should erase that problem, since investors will help set a value on it. Wall Street analysts expect Alico's stock to start trading at about \$6 per share.

The proposed merger still faces some hurdles. For one thing, Southern Ry. is on record that it might have

to oppose the merger. Atlantic Coast Line owns 34% of the stock of Louisville & Nashville RR, and together the two lines jointly control the Carolina, Clinchfield & Ohio. If Seaboard were added to this network, Southern feels it might be in a competitive squeeze.

Darkening View of Earnings Prospects Brings Some Reduction in Dividends

Signs of caution crept into dividend policy last week, as a number of corporations viewed future earnings less optimistically than before.

Kennecott Copper Corp., plagued by strikes, reduced its quarterly dividend to \$1.25 per share from the \$1.50 rate it had paid all through 1959.

Plymouth Oil Co., which showed a net loss for 1959's fourth quarter, cut its dividend to 25¢ from 30¢.

Young Spring & Wire Corp. omitted its quarterly payment entirely although the diversifying auto spring maker had paid 50¢ quarterly through 1958 and 1959.

Bankers Warned Against Excess Zeal In Pushing Plans for Consumer Loans

One of the nation's leading bankers, Carl A. Bimson, president of Arizona's burgeoning Valley National Bank and vice-president of the American Bankers Assn., warned bankers last week not to be so aggressive in their consumer loan plans lest funds be unavailable for regular commercial borrowers. "It seems a little incongruous," he said, "that banks are pushing the new credit plans [charge account banking and revolving check credit] so hard in the face of increasingly tight money conditions.'

It's clear that Bimson himself isn't ready to let business go by default; Valley National started an aggressive check credit plan just last year, and its annual report calls the potential of the new plan "staggering."

Owens Yacht Co. Sells Out To Brunswick-Balke-Collender

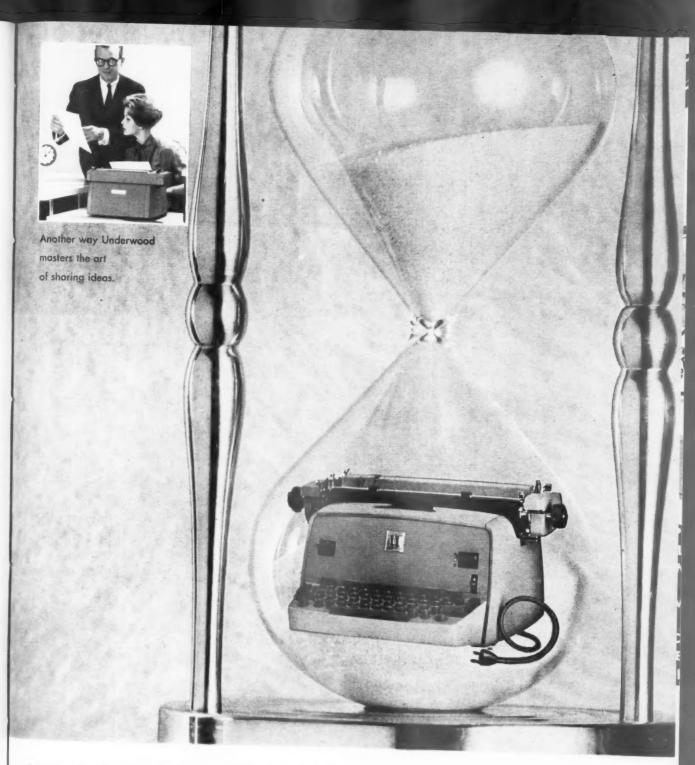
The Owens Yacht Co., which went public only last summer at \$8 per share, this week sold out to the Brunswick-Balke-Collender Co., a major bowling and sporting goods enterprise. Under terms of the agreement, which still has to be approved by the Brunswick directors, two shares of Brunswick will be swapped for seven shares of Owens. Based on Brunswick's current market price of about \$58, this puts a \$16.50 a share valuation on Owens.

The deal was set up by Shields & Co., the same investment banking firm that negotiated the \$40-million Nafi Corp.-Chris-Craft merger announced last week (BW-Feb.20'60,p158). Wall Street rumors had linked the two negotiations-talk had it that Nafi, which Shields controls, had first considered Owens, and then turned it down. Cornelius Shields, partner in the firm, denied the rumor.

70 Finance

BUSINESS WEEK . Feb. 27, 1960

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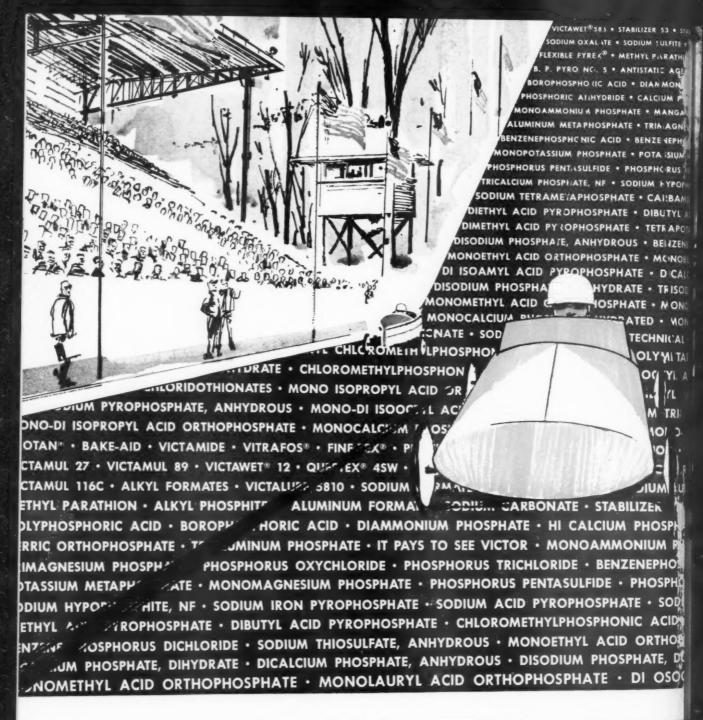
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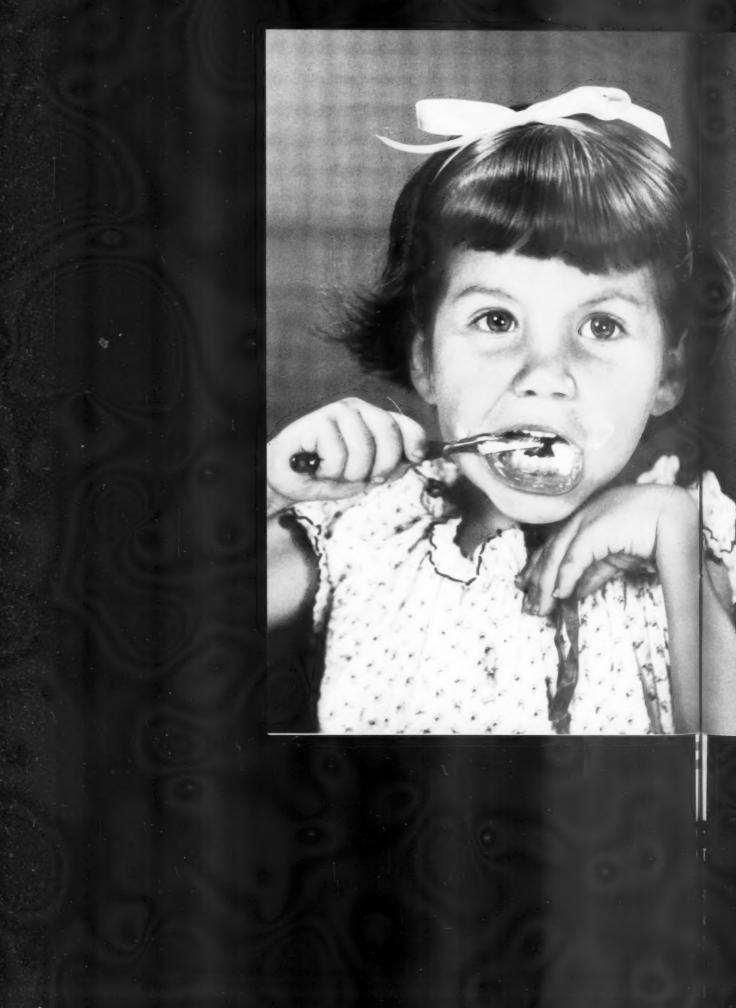
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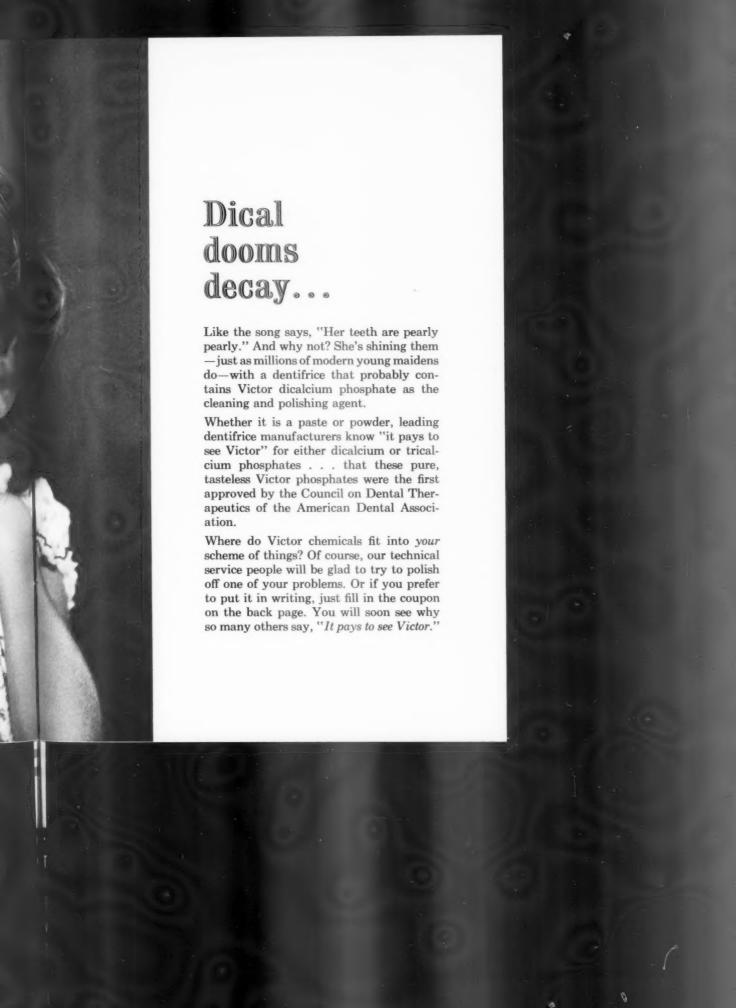


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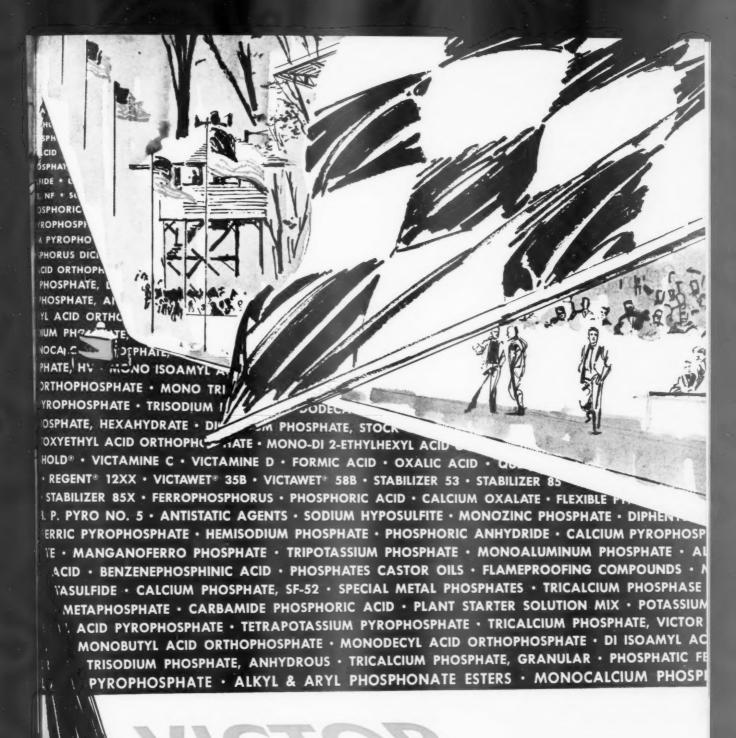


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In Business Abroad

Hoffman Urges Multi-Nation Approach In Aiding Underdeveloped Countries

Much Congressional hostility to foreign aid comes from a nagging feeling that it is an endless process. Critics say a bold, new, imaginative approach is needed.

Paul Hoffman, who piloted the Marshall Plan and now heads the U.S. Special Fund (BW-Dec.19'59.p63), has outlined his grand design for foreign aid. In a booklet, One Hundred Countries, One and a Quarter Billion People, Hoffman calls for a multi-nation effort to increase the over-all growth rate in underdeveloped countries from 3% a year to 4% over the next decade.

To do this, Hoffman wants advanced countries to increase capital investment in underdeveloped nations by \$3-billion annually—to a total of \$7-billion—for the next 10 years. Of this, \$1-billion would come from each of three sources—bankable loans and private investment, the International Development Assn., and bilateral soft loans and grants.

Hoffman considers additional investment a sound business proposition. He estimates that U.S. exports to the developing countries would hit \$14-billion a year in 1970 if this program were carried out.

Moreover, Hoffman thinks a dozen or more nations would reach the takeoff stage where their economies would be self-generating.

Italian Parliament Considers Stringent Antimonopoly Law

The Italian cabinet has just laid before Parliament an antimonopoly law it claims is tougher than the U.S. antitrust law. Italian businessmen agree, but with a sad shake of the head.

Italy must have a new antitrust law to comply with the European Common Market Treaty of Rome. The proposed law will affect directly U.S. subsidiaries in Italy, since they are considered Italian companies. It applies to both domestic and foreign operations.

Here are the key provisions of the proposed law:

 Understandings that hinder or limit competition are outlawed. Specifically, fixing prices, limiting production, and allotting markets are forbidden.

 Agreements, including verbal ones, that regulate production or marketing must be reported to the Ministry of Industry & Commerce (MIC).

Monopolies are prohibited from imposing "unjusti-

fied burdens or restrictions" on customers.

The law, if passed, will be enforced by a committee within MIC, with strong investigative powers. The committee may direct inquiries into company operations and have access to the same information available to tax officials.

If the committee finds a violation, the parties concerned will be allowed 90 days to discontinue it. The

MORE NEWS ABOUT BUSINESS ABROAD ON:

• P. 84—Revolutionary economic and political currents sweep through Black Africa, changing the face of a huge continent.

committee also will determine just how the companies will make corrections.

Failure to comply with committee rulings will result in court action. If convicted, a company faces fines ranging from 1% to 5% of sales of products involved during the violation. If the violation persists, jail terms of six months to four years are authorized for the executives responsible.

U.S. Helps Stock Inter-American Bank, But Holds Only One Seat on Its Board

When Pres. Eisenhower meets with Latin Americans this week, he can point to the newly established Inter-American Development Bank as an example of U.S. interest-without-domination.

Formally inaugurated at a meeting of directors in El Salvador last week, the bank will draw 45% of its \$1-billion capital from the U.S. But this country has only one seat on the seven-man board and advanced no candidate for presidency of the bank.

Felipe Herrera, London-educated Chilean economist, was unanimously elected president. Robert Cutler, a Boston banker, is U.S. representative. Treasury Secy. Robert Anderson and Under Secv. of State Douglas Dillon addressed the meeting.

The bank will have \$850-million for loans, to be repaid in the same currency. A special fund of \$150-million will make soft loans, to be repaid in the borrower's currency.

The bank will emphasize help to medium and small businesses and will enter areas previously untouched by the Export-Import Bank or the World Bank. It will lend to both governments and private enterprises.

Bank directors hope the new institution's operations will encourage foreign investment in Latin America. They also hope to induce Latin Americans to repatriate funds presently invested elsewhere to aid in development.

Hilton Adds Teheran Hotel To Its Chain in Middle East

Hilton Hotels International is expanding again in the Middle East. The hotel chain recently agreed to manage the Royal Teheran Hilton Hotel, a \$9.8-million structure to be opened in the latter half of 1962.

The 300-room hotel will be owned by the Pahlavi Foundation, which administers the Royal Crown Estate of the Shah of Iran.

Hilton also operates hotels in Cairo and Istanbul and is negotiating for management of a hotel in Addis Ababa, Ethiopia. But it does not manage two hotels in Jordan for Jordan Hotels & Tourism Co., as previously reported. (BW-Feb.6'60,p71).



PRIMITIVE mushroom-shaped huts are thatched by men of the Pagan people, original inhabitants of northern Nigeria. Way of life has changed little in centuries.

AUTOMOTIVE problems afflict the modern Liberian the same as the American or the European. This workman is tightening a lug on the wheel of a huge iron ore truck.



Drastic C

A political and economic revolution like that which has swept South Asia, the Middle East, and North Africa since World War II now is moving through the vast area that goes by the name of Black Africa (map).

This year the pace of the revolution has quickened to the point where many Africans speak of 1960 as "the year of Africa." There is plenty of evidence, too, to support this view—the lengthy trip British Prime Minister Macmillan has just taken through Africa, the upcoming visit of Soviet Premier Khrushchev to West Africa, the increasing interest Washington is taking in African affairs, and the coming to independence of six African dependencies during 1960, including Nigeria and the "model colony," the Belgian Congo.

Indeed, the face of Africa is changing so fast that few Europeans, let alone Americans, can quite understand what's going on. The old boundaries, carved out of jungle and scrub land in the days of imperialism, still remain pretty much as they were. But inside the dozens of colonies, territories, and countries that make up the African continent, new leaders, new political parties, new nations, and new economies are emerging. These force a new appraisal of

The political revolution in Black Africa has numbered the days of colonialism, of European domination. Almost month by month, independent all-African states are emerging from the old empires of Britain, France, and Belgium. Sooner or later the tide is bound to reach the Portuguese and Spanish colonies. It is only in the multi-racial countries such as the Rhodesias (where there is a sizable white minority) and Kenva (where this is both a white and an Asian minority) that the outlook for African freedom is somewhat uncertain -as it is, of course, in the long independent Union of South Africa.

In international politics, Africa no longer will be a mere political and economic appendage to Western Europe. In fact, it is likely to develop into a region of East-West rivalry—though most of the newly independent nations want to play a neutral role in this struggle. That's true even of the ones that intend to remain in the British Commonwealth or the French community. African leaders, who already cut quite a figure on the world stage, also plan to make their weight felt in the United Nations, where someday they may hold the balance of power.

Economic change, though lagging behind the political pace, also is coming to Black Africa—and opening the way to additional aid and investment from

Changes Sweep Black Africa

non-European sources, especially the U.S. and the U.S.S.R. Subsistence economies gradually are turning into market economies as agricultural and mineral production for export is expanded and as local manufacturing industries become established.

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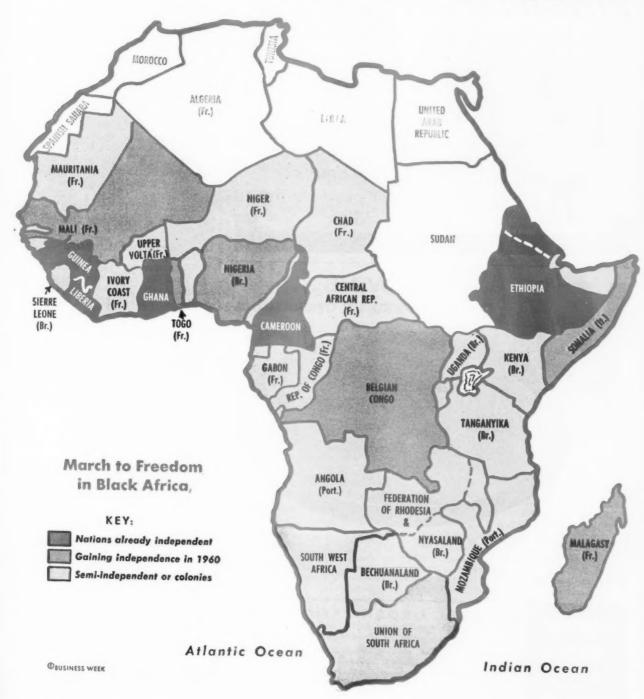
The flow of outside capital into Africa is increasing steadily-from European governments and from private investors in both Europe and the United States.

I. Foreign Enterprise

A number of big foreign companies -British, Continental, and Americanare banking on a profitable future in Africa, despite the political headaches that obviously lie ahead. Take these

examples of what's going on today:

• Unilever's United Africa Co., Ltd.-probably the largest company in Africa in sales (about \$850-million annually)-is pushing an "Africanization" program. Wherever possible, it is replacing white employees with local



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Africans. At the same time, this company is going into local manufacturing in a big way, adding to its already huge

trading operations.

· FRIA Compagnie will begin producing its first alumina, the intermediate product before aluminum, in Guinea within the next few weeks. This consortium, including Olin Mathieson Chemical Corp. and French, British, West German, and Swiss companies, started the \$155-million project only in mid-1957. It has involved construction of new port facilities, roads, and a railroad.

• A joint Shell-British Petroleum subsidiary is boosting oil output in Nigeria from last year's 15,000 bbl. a day to 30,000 and considering con-

struction of a refinery.

· U.S. Steel and Bethlehem have exploration projects under way in Gabon-for manganese and iron ore, respectively. (Bethlehem and Republic already are heavily involved in iron ore in Liberia.)

There are other signs of economic change. Former shanty towns, from Dakar on the northwest coast to Salisbury in central Africa, today have paved streets, 10-story "skyscrapers," paved streets, 10-story and back-street traders (often women) who sell \$3,000 worth of goods weekly.

II. Investment Climate

Until recently, U.S. businessmenattracted by easier markets in Latin America and Western Europe-almost totally ignored Africa. In 1943, U.S. private investment in Africa amounted to only \$104-million-a fraction of the total \$7.9-billion in overseas invest-ment. About half of the African investment was in the Union of South Africa's gold, diamonds, and other minerals. More than a decade later-in 1954—U. S. investments were still small. The \$568-million put into Africa was less than U.S. companies had invested, say, in Mexico.

· New Optimism-Today the value of U.S. direct investments in Africa is close to \$1.5-billion-though stock appreciation and reinvestment of profits accounts for some of the big increase. Direct investment, sav top Ú.S. businessmen, is likely to rise much faster in

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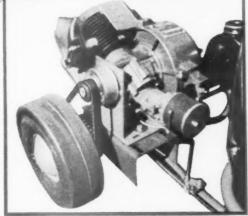
Behind the optimism are two devel-

Western governments seem ready to foot a large part of the bill for financing the basic facilities-from dams to housing-that are necessary before pri-

vate industry ordinarily will move in. The six Common Market countries have launched a "Eurafrica" program for pooling more than \$500-million for African projects. Britain-though hesitant to appear as if it were "buying the allegiance" of former colonies—is con-



Even the youngsters are making time with the U.S. PowerGrip "Timing" Belt



Howard Industries, Inc. (Sumter, S. C.) use the U.S. Power-Grip "Timing"® Belt to get perfect transmission response on the Go-Karts they manufacture.

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Says Howard E. Short, president, "This car is being raced with gratifying results by children and adults. The U. S. PowerGrip 'Timing' Belt provides positive transmission of power. Our engine is a 2½ h.p., 2-cycle chain saw engine turning up at 6200 r.p.m.

turning up at 6200 r.p.m.

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along at speeds of 35 to 60 miles per hour, depending on the drive ratio."

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tinuing its postwar aid program in newly independent countries. The U.S. Development Loan Fund is studying loans for Liberia and Central Africa. Since 1951, the World Bank has lent about \$600-million for projects ranging from improvements of Nigeria's railways to the construction of the huge Kariba Dam located on the Zambesi River.

African countries want to diversify their economies. Historically dependent on exports of a few commodities, they want to branch into local processing and manufacturing.

Both Ghana with its cocoa and Nigeria with its palm kernels have used "marketing boards" to help cushion the rise and fall of commodity prices. Today, Ghana hopes the Volta River project, spurred by Kaiser Aluminum & Chemical Corp.'s interest (BW-Jan. 30'60,p114), will lead to more electric power and a large aluminum industry. Similarly, Nigeria—which has set up a number of industrial development boards—is diversifying into cement, plastics, textiles, and even truck assembly. In Ghana and Nigeria, the governments are trying to encourage private investment in such enterprises by offering to put up a percentage of the capital.

III. More on Their Own

So far, U.S. companies have worked in Africa largely through existing European companies. United Africa Co., for instance, has been selling Caterpillar tractors, Pillsbury flour, Mobil gas and oil, and other U.S. products in West Africa. And it has handled most of General Motors' business in the area (including assembly of Vauxhall's Bedford trucks).

In the future, large U.S. companies probably will try to do more business on their own. For one thing, the existing European companies—often nearmonopolies of local markets—would just as soon see outsiders come in. That way, the old-time companies won't be such tempting targets for nationalistic attacks. For another thing, the older companies are wary of expanding rapidly—unless they have full approval from local governments.

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• Nigerian Venture—Several U.S. and foreign companies are investigating possibilities in eastern Nigeria for a \$7.2-million plant to produce glass products. They are basing their interest on a Rockefeller Bros. Fund report on the feasibility of the project.

Since mid-1958, Rockefeller Bros. has maintained a representative, Robert Fleming, in Nigeria to study investment possibilities that would aid the country's economic development. If this project goes through, as now seems likely, it will be a big hit. As manufacturing in-



HOW AMCHEM TREATS ALUMINUM SIDING TO NEW SALES APPEAL

Before the development of Alodine, Amchem's prepaint chemical treatment for aluminum, siding manufacturers were limited to production of unpainted siding with limited consumer appeal. But the superior properties of Alodine changed the picture dramatically. Not only does Alodine enhance aluminum's corrosion resistance, it provides a base to which sparkling paint finishes tenaciously cling. Proof of Alodine's effectiveness—in 1960 it is estimated that 100 million pounds of painted aluminum siding and accessories will be produced and sold!

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Alodine has become the industry's standard protective chemical treatment for aluminum. From jet aircraft to window screening, building siding to boats—Alodine protects, forms a firm paint bond or chemically beautifies the world's most versatile lightweight metal. And, Amchem chemical developments continue to solve prepaint and other problems on a wide range of metals.

Amchem diversification not only embraces metalworking chemicals—but a complete line of chemical weed killers for farm, home and industry. Through its Benjamin Foster Company Division, a long and widely accepted line of coatings, adhesives and sealers for use with thermal insulation. In 54 countries, 124 Amchem licensees are making important contributions in weed and brush control, as well as in conversion and inhibition techniques designed to protect metals. Find out how Amchem chemicals can serve you—in plant or field, at home or abroad. Write for further information today.



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Rockwell Report

by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

A PENNY SAVED is actually several pennies earned. We figure that a 4 per cent saving in cost is equal, in terms of net profit, to a 20 per cent increase in sales.

While we constantly look for these savings in the larger areas of materials purchasing, production, and maintenance, sometimes they also come from unexpected sources that are often overlooked as being unimportant. Recently, for example, one of our people asked, "What does it cost to maintain a stockholder's account for one year?"

We made a detailed analysis beginning with the basic bank charge for each stockholder's account, and came up with thirty-one measurable items of cost.

Nine are involved in the payment of quarterly dividends, ranging from the obvious sixteen cents for postage to \$.004 for imprinting dividend checks. Payment of stock dividends creates seven items of cost. Three quarterly reports cost \$.069 per shareholder, plus \$.03 for addressing. After the Annual Report is printed, three separate costs are involved in getting it to each stockholder. Annual Meeting notices create four separate charges, plus the \$.007 for the notice itself.

The total is \$2.904 per stockholder, per year. Ten years ago, when we had under three thousand stockholders, the amount involved was unimportant. Today, with our list approaching fourteen thousand, both the total cost and the chances of duplication on the list are considerably greater. At least we feel it justifies taking the necessary time to consolidate stockholders' names to avoid unnecessary duplication. We watch for such things as the changing of a full name to an initial, inclusion or exclusion of husband or wife, addition or deletion of junior or senior. Any one of these small variations can cause the same person to be listed as a stockholder several times—at a cost of \$2.904 each time.

Or—to put it in terms of real interest to our stockholders—the few seconds it takes to avoid an unnecessary listing produces as much net profit as \$14.02 in additional sales.

A new line of Walker-Turner 15-inch drill presses for metalworking has been introduced by our Power Tool Division. The new line is designed to provide all the ruggedness of much heavier presses for production line work, yet is versatile enough for small commercial shops. Forty models are available, and in addition components may be obtained for making up special purpose equipment.

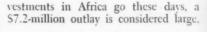
We make a practice of answering promptly and with specific information the inquiries produced by our advertising. A recent inquiry, however, stopped us cold. This was from a man in Haiti who was in the business of hulling rice for growers. He had read about our gas meters, water meters, liquid meters, parking meters, taximeters, fare registers, flow meters, etc., and asked if we also made a "ricemeter" that would measure and record the amount of rice hulled for each customer. Regretfully we had to tell him that rice was one of the few substances the measurement of which we had not yet tackled.

Sales of our small Jlo (pronounced "ee-lo") diesel and gasoline engines, which are made only in our German plant, are setting all-time records. There are two main reasons for this: the rapidly increasing popularity of power mowers in West Germany and other European nations, and a surprisingly rapid increase in motorcycle and motorbike sales to a number of less developed nations.

This is one of a series of informal reports on the operations and growth of the

ROCKWELL MANUFACTURING COMPANY
PITTSBURGH 8, PA.

for its customers, suppliers, employees, stockholders and other friends



IV. Relative Progress

The rate of political development in Black Africa has varied from one area to another. Traditionally, Britain has weighted its colonial policy toward gradual steps leading to self-government. Belgium, by contrast, has emphasized economic progress—to the point where even the Congo's 116,000 Europeans have had no more political voice than the 13-million Africans. France, for its part, has favored a policy of "turning Africans into Frenchmen," on the assumption that they would then want to retain close ties with the home country.

But African nationalists have forced the European countries to toss aside these traditional policies. Rumblings in French Africa led to a sweeping referendum-and overnight French Guinea opted for independence. A succession of bloody riots in the Congo threw Belgium's slowmoving timetable of political progress out of whack. The Brussels government was talking vaguely about Congolese independence in 1964, but last week it had wound up a conference setting the stage for independence on June 30. And Britain, under pressure in Kenva, is likely to grant independence to the colony well before the mid-1960s-assuming that political safeguards for the white land-owning minority can be worked out.

• New Elements—Two key factors have accelerated the continent's political change. One is the sudden emergence of a flock of educated, articulate African leaders. When much younger, in the 1930s, they attended universities in the U.S., Europe, and Russia. During World War II, they found no outlet for their political ideas. Postwar, they set out to rally masses of illiterate Africans to the cause of independence.

In addition, communications among African countries has improved remarkably in recent years. For instance, Drum, the South African picture weekly, now sells almost 150,000 copies in Ghana and Nigeria. African leaders frequently fly to other capitals—three weeks ago, the All-African People's Conference met in Tunis, as a followup to last year's similar meeting in Accra, Ghana. With this close contact, it is more difficult than ever for a country such as the Union to isolate itself from political movements elsewhere in Africa.

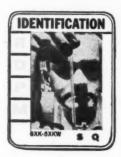
• Federation Movement—Besides all this conflicting political forces are at

this, conflicting political forces are at work throughout Africa. Nkrumah would like to lump Guinea, Nigeria, and several other countries in a West African federation. But Guinea, initially warm to the idea, has recently cooled on it. And Nigerian leaders,



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HOW TO FIND HIM



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who look on Ghana as a small, outspoken neighbor, have no intention of diluting the political power they have gained on a national basis.

Right now, after a seven-year trial period, the Central African Federation is reviewing the successes and failures of putting white-dominated Southern Rhodesia, fairly prosperous Northern Rhodesia, and black Nyasaland under one government. Nyasaland would just as soon go off on its own. If it remains in the federation, it would prefer continued British overlordship—as outside protection against a white-controlled federal government.

• Opening for Reds—In this political ferment, the Communists have plenty of room for maneuver. Few European observers of Africa's changing scene see the Communists as an immediate threat. But they see danger signals in the fact that the Soviet Union has:

• Sent top officials to the fourth inauguration of Liberia's Pres. Tubman, a "heavyweight" ambassador (formerly Moscow's Middle East expert) to Guinea, and a Deputy Minister of Foreign Affairs to the Cameroons' independence ceremony.

 Encouraged African expansion of the Communist-dominated World Federation of Trade Unions, in competition with the non-Communist International Confederation of Free Trade Unions.

 Used Soviet satellite missions particularly from Poland, East Germany, and Czechoslovakia—as political and economic weapons for spreading Soviet influence.

Take the case of Guinea. After independence, French companies and officials pulled out. "They even took the only official copy of our legal code," claims a Guinean official. Soon, the Soviet satellites were helping the new, inexperienced government organize state trading companies along Soviet lines. A Pole became the head of the Mines Dept. Czech arms began flowing in too.

flowing in, too.
• Russian Loans—So far, the Soviets have given loans to only two African countries south of the Sahara—Ethiopia and Guinea. But more are sure to come, possibly during Khrushchev's coming trip there. Many of the countries, badly in need of economic aid, would welcome Soviet loans. And African leaders already are trying to play the U.S. against Russia to win loans.

Yet Europeans, perhaps wishfully, believe that Russia is no shrewder than Western countries in dealing with Africa. For instance, the Soviet satellites have tried to get Guinea to accept exclusive trade deals. Thus, Guinea would have to buy, say, all imported glass from Czechoślovakia. But its government has resisted—at times, even resented—this trade pressure. END

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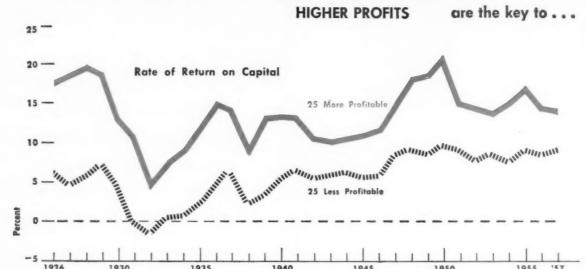
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A Fresh Look at the Role of P

An AT&T Analysis of 50 Big Companies Shows That



In some circles, profit has become almost a dirty word. Even some corporate officials have got in the habit of saying that their company aims to serve the community, to benefit the nation, to increase the happiness and welfare of the people who work for it, to support higher education, and to achieve almost any other worthy end. They shy away from mention of anything so crass as big profits.

Last week, however, in reporting American Telephone & Telegraph Co.'s record net earnings of \$1.15-billion to stockholders, Pres. Frederick R. Kappel made a strong and unapologetic case for profit as the essential element that enables a corporation to play a constructive economic and social role. This is just as true, said Kappel, for regulated industries like his own as for nonregulated industries.

• Best for Everybody—To back up his position, Kappel cited a study—Profit, Performance, and Progress—prepared by a group of Bell System managers and statisticians for the company's internal purposes but recently made public. Kappel feels the study offers "overwhelming" evidence that companies with excellent profit records do the best job for their customers, their employees, their share owners, and the country generally.

Some economists, regulatory officials, and others are bound to regard AT&T's profit study as a self-serving document, designed to justify the company's record earnings (this was the second time any corporation had earned over \$1-billion in a year—General Motors was the first,

in 1955). Nonetheless, the study offers a fascinating insight into what a group of Bell System executives regards as the causes of success or failure in other U.S. industries.

• Yardsticks—AT&T's six-man study group, headed by W. M. Larrabee of the New York Telephone Co., sought to measure companies' performance by seven criteria: (1) growth in output, (2) investing in better plant and equipment, (3) acquiring the funds for capital invesment, (4) producing better products "at prices people are willing to pay," (5) investing in research and innovation, (6) creating jobs at better pay, and (7) "good citizenship and social conscience," as evidenced by such things as help to charitable drives, hospital building programs, education, participation by employees and management in government and civic affairs.

By all these criteria, the study group found, profitable companies have served the nation better than poor companies. Not all seven criteria can readily be measured statistically, but the charts on these pages, based on a broad review of the profits and performance of 50 large industrial companies, set forth some of AT&T's evidence that profit goes hand in hand with growth.

• Profits and Growth—The charts show that the 25 companies with better profits have increased their capital three times as much since 1926 as the 25 poorer companies.

Since the war, the 25 more profitable companies have nearly doubled their sales and have increased their work force by 20%, while the less profitable ones have grown in sales only a little more than 25%, have reduced jobs by 7%. Efficiency, measured by sales per employee, rose faster in the more profitable companies—largely due to the investment in better plant and machinery made possible by heavy retained earnings.

These over-all findings were strengthened—and deepened—by the AT&T group's analysis of the causes of growth or decay of individual industries and companies. Going beyond statistical evidence, the group offers judgments based on many interviews with industry authorities and on what is publicly known about each industry or company. • Textiles—AT&T found the textile in-

dustry plagued with troubles—chronic excess capacity for existing products, overproduction, weak management, questionable inventory practices, and violent price competition. The consequences have been stop-and-go production cycles, mill failures, low-paid and insecure jobs. Migration aimed at cutting costs, the study suggests, leaves New England towns depressed and still doesn't help Southern towns much.

Textile profits are low, depreciation funds are "too little and too late"—but, says the AT&T report, more realistic depreciation rates on the industry's plant and equipment would show that real profits are even lower than they appear to be.

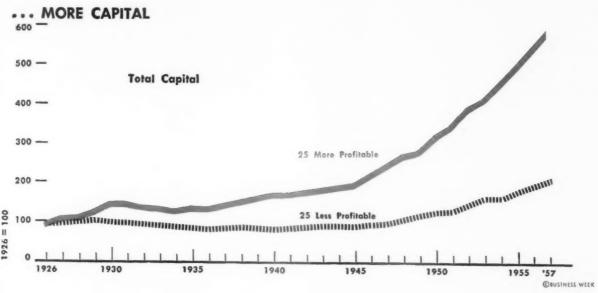
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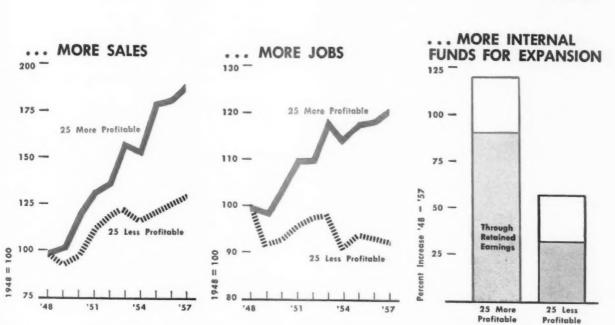
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While plant is running down, research is starved for funds. Only 12 of the nation's 4,000 textile companies have true research programs. The only

Profits in Company Growth





industry-supported research on wool is done by the Textile Research Institute; in 1956, this received \$50,000, while Great Britain and Australia each spent more than \$1-million on wool research that year.

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While textile research is floundering, competitive industries such as chemicals develop new and better products—so the textile picture worsens. Thus, says the AT&T study, "the poverty of the textile industry feeds on itself." And the whole economy suffers. The

trouble, the report concludes, is not lack of competition but the fact that, with few exceptions, competition is concentrated on price and costs instead of on winning "customer respect" for products and brand names.

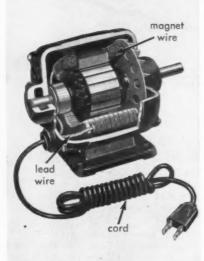
• Steel—AT&T's study casts a critical eye at the steel industry. Here, too, the study finds steel profits, taken over the whole postwar period, below average, yet also overstated because of inadequate depreciation charges. AT&T notes that steel profits have improved

in the last few years, but finds their future "still in doubt."

Low profits in the postwar years up to 1955 (during which the rate of steel profits was 26th among 33 major industries) caused steel management to delay plans for new and better plant. Later, when steel did expand, costs had gone up—and steel prices went up more than prices of other products. Higher profits in the past, AT&T argues, might have led to lower steel prices today.

The AT&T group also criticizes steel

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... research meant lower profits in the short run, higher profits in the long run . . .

(STORY on page 94)

for neglecting research; they quote one steel authority's conclusion: "Companies are crowded into research by customers, not by zeal. Steel companies don't publish their research expenditures because they are ashamed of how little they do."

On the whole, AT&T concludes, steel has lagged in its social and economic performance behind more profitable industries. But an analysis of 14 companies shows that the more profitable steel companies have met the seven performance criteria far better than the less profitable companies.

• Business Equipment-In its study of the office and business equipment industry, AT&T makes the point that good profits alone won't ensure a company's success. It contrasts the performance of International Business Machines Corp. with two other, unnamed companies—both of which had larger sales than IBM only 20 years ago. Both companies prospered through the high postwar demand just after World War II. But in 1951 IBM saw tougher competition ahead and decided to boost its already substantial research expenditures, though this meant lower profits in the short run. In 1957, IBM spent \$30-million on research. The result: new and better products, more substantial growth, and higher profits in the

Meanwhile, the other two companies tried to grow by buying other companies, says AT&T, rather than from finding and making better products. So, as the 1950s wore on, they fell farther and farther behind. Now, says AT&T, one has started a crash program, pouring back into research a larger part of each sales dollar than any other company studied, hoping to get back in the running; the other company "is now so poor it cannot devote much money to research." Says AT&T mournfully: "It is going to be difficult to restore this company to financial health."

• Two Meat Packers—In meat packing, AT&T compares Company A and Company B—both of which were in a position to plunge ahead when the government lifted meat rationing after the war, and demand for meat expanded strongly for six years.

Company A, making a good profit, boosted its assets by 135% in those six years—half in new plant, half in inventories. Company B's assets grew only 38%—almost entirely in inventories. Even to do that, Company B, with poor

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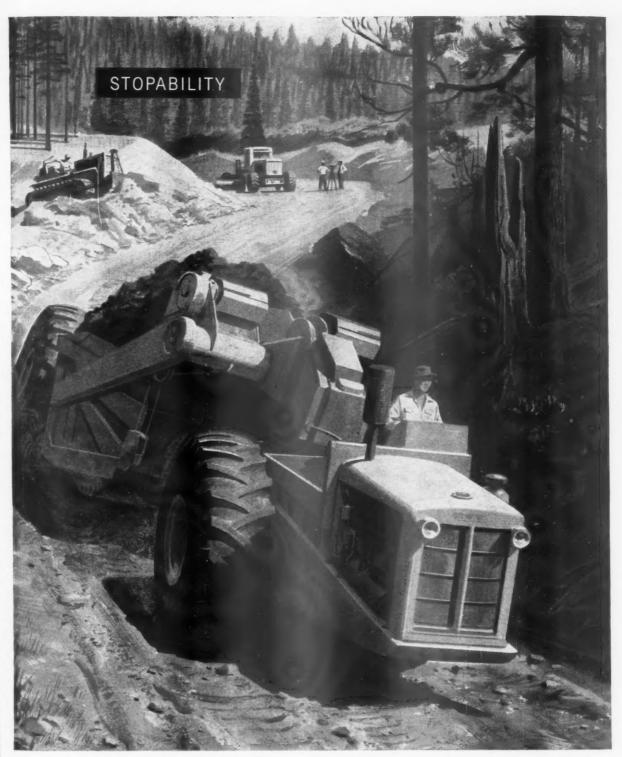
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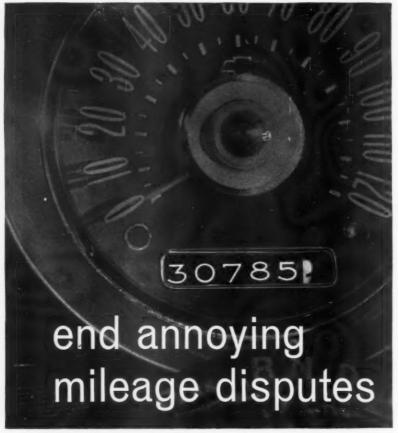
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profits, had to borrow heavily; in 1951, debt made up nearly half its total capital

The next six years were a stiff test for meat packers as demand leveled off. Company A, with its new plant and its good profits, was strong enough to risk and innovate; it went on growing. Company B staggered along, saw its assets melt away, laid off workers, closed plants. Now, says a Company B officer, profit is so poor that stock or bonds can't be sold: "We are now down to term loans at the banks."

• Sears, Roebuck—In the retail industry, AT&T's hero is Scars, Roebuck & Co., in which pay and promotions are heavily based on the profit a man produces. This means an exact system of internal accounting, with each Scars store and mail order plant, down to the small units, maintaining a balance sheet and a profit and loss statement. In all, Scars has more than 20,000 profit and loss statements a year, including all units—big stores, departments within big stores, telephone sales units, pool stock warehouses, even the company airplanes.

With excellent earnings, says AT&T, Sears has had the money to grow, to innovate, and to risk. It has engaged in "total competition"—competition through service, quality, and product innovation as well as price. Sears' good profits "have been accompanied by prices generally lower than those of its competitors."

• General Electric—AT&T finds General Electric Co. another star performer: "GE has never been in the red since it was founded. It has paid a dividend every year for 58 years."

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AT&T attributes GE's success to "an alert, driving management, which hunts for ways to make more profit by serving the country better," and which believes in its own slogan: "Progress is our most important product."

• Railroads—Turning to three regulated industries—railroads, airlines, and electric power—AT&T finds the link between profit and growth and over-all business performance just as valid as for the nonregulated industries.

AT&T's horrible example is the railroads, which it blames for wasting human effort and economic resources, providing poor and costly transportation, making the economy less stable. Poor profits are the root of the matter, AT&T thinks, and the future is grim. Each year, for example, rail plant suffers from about \$400-million of rust damage—this, says the study, is about 1,000 times the entire research budget of the Assn. of American Railroads. So plant and equipment deteriorate, passenger service worsens, freight service is seriously impaired. "The average freight car stands still for more than 21 hours a day," says the study, "and travels less

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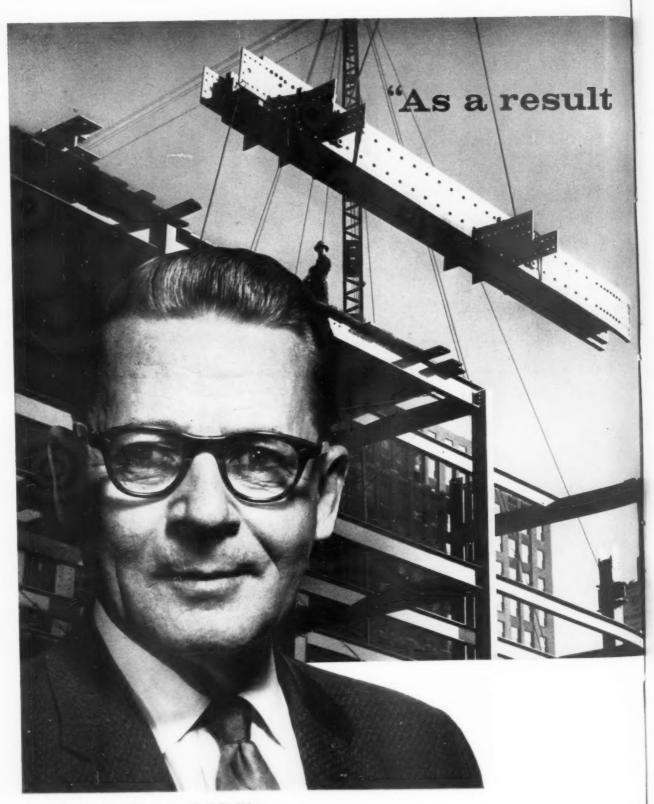
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Some economists, regulatory officials, and others are bound to regard AT&T's profit study as a self-serving document, designed to justify the company's record earnings (this was the second time any corporation had earned over \$1-billion in a year—General Motors was the first.

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While textile research is floundering, competitive industries such as chemicals develop new and better products—so the textile picture worsens. Thus, says the AT&T study, "the poverty of the textile industry feeds on itself." And the whole economy suffers. The

few exceptions, competition is concentrated on price and costs instead of on winning "customer respect" for products and brand names.

• Steel—AT&T's study casts a critical eye at the steel industry. Here, too, the study finds steel profits, taken over the whole postwar period, below average, yet also overstated because of inadequate depreciation charges. AT&T notes that steel profits have improved

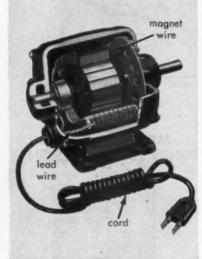
tuture "still in doubt."

Low profits in the postwar years up to 1955 (during which the rate of steel profits was 26th among 33 major industries) caused steel management to delay plans for new and better plant. Later, when steel did expand, costs had gone up—and steel prices went up more than prices of other products. Higher profits in the past, AT&T argues, might have led to lower steel prices today.

The AT&T group also criticizes steel

BUSINESS WEEK . Feb. 27, 1960

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one wire source for everything electrical and electronic ... research meant lower profits in the short run, higher profits in the long run . . .

(STORY on page 94)

for neglecting research; they quote one steel authority's conclusion: "Companies are crowded into research by customers, not by zeal. Steel companies don't publish their research expenditures because they are ashamed of how little they do."

On the whole, AT&T concludes, steel has lagged in its social and economic performance behind more profitable industries. But an analysis of 14 companies shows that the more profitable steel companies have met the seven performance criteria far better than the less profitable companies.

• Business Equipment-In its study of the office and business equipment industry, AT&T makes the point that good profits alone won't ensure a company's success. It contrasts the performance of International Business Machines Corp. with two other, unnamed companies—both of which had larger sales than IBM only 20 years ago. Both companies prospered through the high postwar demand just after World War II. But in 1951 IBM saw tougher competition ahead and decided to boost its already substantial research expenditures, though this meant lower profits in the short run. In 1957, IBM spent \$30-million on research. The result: new and better products, more substantial growth, and higher profits in the long run.

Meanwhile, the other two companies tried to grow by buying other companies, says AT&T, rather than from finding and making better products. So, as the 1950s wore on, they fell farther and farther behind. Now, says AT&T, one has started a crash program, pouring back into research a larger part of each sales dollar than any other company studied, hoping to get back in the running; the other company "is now so poor it cannot devote much money to research." Says AT&T mournfully: "It is going to be difficult to restore this company to financial health."

• Two Meat Packers—In meat packing, AT&T compares Company A and Company B—both of which were in a position to plunge ahead when the government lifted meat rationing after the war, and demand for meat expanded strongly for six years.

Company A, making a good profit, boosted its assets by 135% in those six years—half in new plant, half in inventories. Company B's assets grew only 38%—almost entirely in inventories. Even to do that, Company B, with poor

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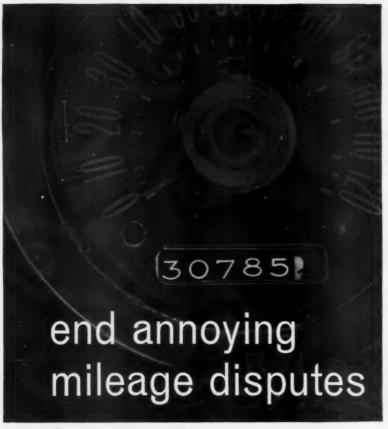
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profits, had to borrow heavily; in 1951, debt made up nearly half its total capital.

The next six years were a stiff test for meat packers as demand leveled off. Company A, with its new plant and its good profits, was strong enough to risk and innovate; it went on growing. Company B staggered along, saw its assets melt away, laid off workers, closed plants. Now, says a Company B officer, profit is so poor that stock or bonds can't be sold: "We are now down to term loans at the banks."

• Sears, Roebuck—In the retail industry, AT&T's hero is Sears, Roebuck & Co., in which pay and promotions are heavily based on the profit a man produces. This means an exact system of internal accounting, with each Sears store and mail order plant, down to the small units, maintaining a balance sheet and a profit and loss statement. In all, Sears has more than 20,000 profit and loss statements a year, including all units—big stores, telephone sales units, pool stock warehouses, even the company airplanes.

With excellent earnings, says AT&T, Sears has had the money to grow, to innovate, and to risk. It has engaged in "total competition"—competition through service, quality, and product innovation as well as price. Sears' good profits "have been accompanied by prices generally lower than those of its competitors."

• General Electric—AT&T finds General Electric Co. another star performer: "GE has never been in the red since it was founded. It has paid a dividend every year for 58 years."

AT&T attributes GE's success to "an alert, driving management, which hunts for ways to make more profit by serving the country better," and which believes in its own slogan: "Progress is our most important product."

• Railroads—Turning to three regulated industries—railroads, airlines, and electric power—AT&T finds the link between profit and growth and over-all business performance just as valid as for the nonregulated industries.

AT&T's horrible example is the railroads, which it blames for wasting human effort and economic resources, providing poor and costly transportation, making the economy less stable. Poor profits are the root of the matter, AT&T thinks, and the future is grim. Each year, for example, rail plant suffers from about \$400-million of rust damage—this, says the study, is about 1,000 times the entire research budget of the Assn. of American Railroads. So plant and equipment deteriorate, passenger service worsens, freight service is seriously impaired. "The average freight car stands still for more than 21 hours a day," says the study, "and travels less

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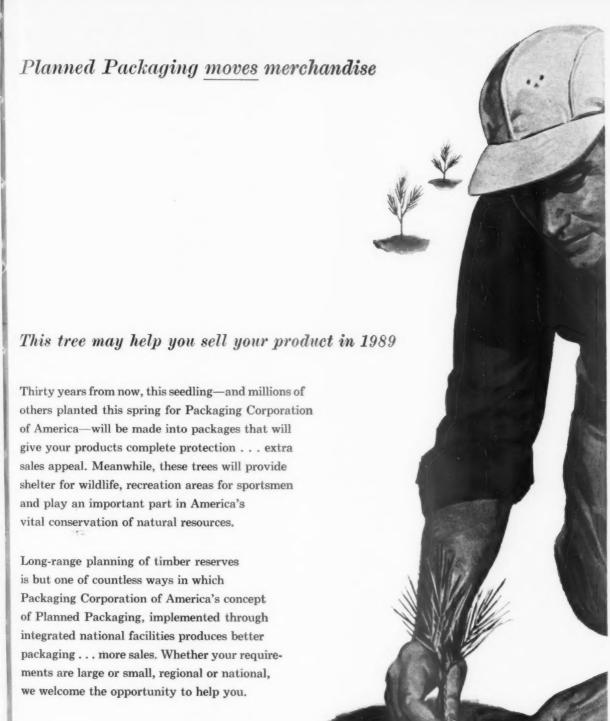
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> Vice President, Production, Manufacturing Corporation

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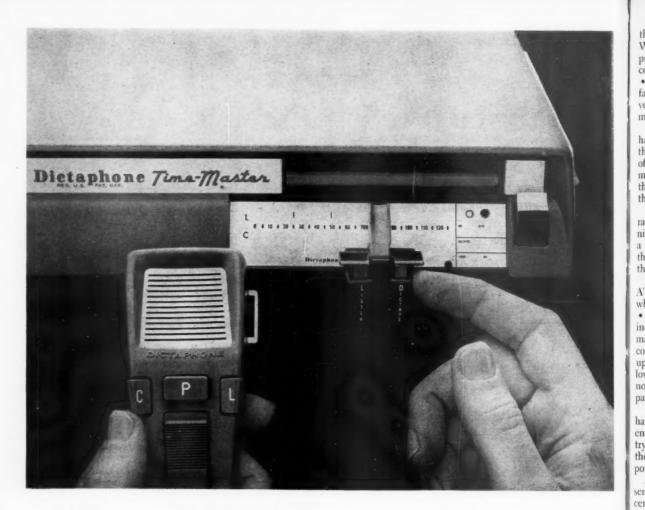
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than 50 miles in the rest of the day." Whether the railroads can survive under private ownership is a question, AT&T concludes.

· Airlines-The study finds the airlines facing a big test, with the job of converting to jets yet to be completed and more innovations still to come.

Up to now, AT&T finds, the airlines have served the nation well-but it thinks that if regulation restricts instead of stimulating the airlines, the future may be dark. Without healthy profits, the airlines could start down the path the railroads have traveled.

AT&T finds many parallels with the railroad story: subsidies at the beginning, then clumsy regulation, and finally a tangle of competition and regulation that greatly restricts the freedom of the companies.

"For the good of everyone," says AT&T, "the airlines must not end up where the railroads are today.

• Electric Utilities-The electric power industry, the AT&T study suggests, may also be headed for trouble. Power companies' need for capital has gone up, and will go higher, but the era of low-cost debt and preferred stock (which now make up two-thirds of power company capital) may be at an end.

The power industry, AT&T suggests, has not looked at its future hard enough: "The field of the power industry is somewhat limited. . . . Perhaps the nation would be served better if power firms worked in a broader field."

AT&T thinks the power industry resembles the railroads at the turn of the century: favored as an investment, its growth apparently assured, but with its earnings restricted to something close to the cost of capital and with heavy reliance on debt. And everybody, AT&T adds, "knows what happened to the railroads.'

The real question, the Bell group thinks, is whether the power industry can get the profits necessary to grow and innovate in the coming atomic age. Currently, most of the industry's research is being done by the companies which supply its equipment, such as GE and Westinghouse.

· Regulation of Profits-The parallels between the regulated and nonregulated industries, AT&T concludes, ought to give regulators something to worry about. The telephone people argue that regulators, "with wisdom and imagination," can work out ways to stimulate better performance by the industries they must regulate. But the regulatorswho are supposed to do the job that competition does in an open marketwill have to look beyond price control.

Regulation, AT&T concludes, "will have to adhere more closely to the functions and concepts of total competition as it exists in the American

economy today." END

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Architectural concrete precast walls and roof sections of the mill and kiln buildings at Ideal's Ada, Oklahoma, plant.





Precast barrel vault roofs and wall panels at Ideal's Tijeras, New Mexico, plant.



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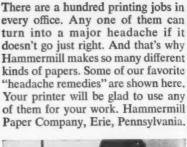
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IBM's Dutch Eden Has Its Thorn

But overseas training center is working out even though Europeans find some American habits a little shocking.

If the manager of IBM World Trade Corp.'s European Educational Center in the Dutch town of Blaricum were a worrywart, he would probably have a recurrent nightmare that would go something like this: Forty top customers and prospects arrive at the Blaricum railroad station on a stormy Sunday, only to find that the Dutch staff has refused to go to meet them. After a long hike in the cold rain, the disgruntled executives-from major companies in France, Germany, and Italyfinally limp into IBM's estate and demand brandy to take away the chill. They hiss the manager when he tells them that company rules forbid alcohol.

Finally, the executives stamp off in a huff to the rooms assigned them. In a moment, they are back screaming that they have been gravely insulted by being put two in a room. As they run out of the chateau chanting the names of IBM's competitors, the manager wakes up in a cold sweat.

• Training Center—None of these things ever happened just that way, but they still illustrate the kind of unexpected problems that IBM World Trade Corp. had to solve last year when it opened its first overseas training center for foreign executives. The Blaricum estate—it is also used as a training center for IBM personnel—was meant to be a carbon copy of the three IBM Homesteads in the U.S., which for years have been offering bed, board, and computer indoctrination to customers and prospects.

By now, 10 months of experience with the transplant to alien soil have convinced IBM that the care and feeding of executives isn't the same all over the world.

For one thing, many high European executives guard their weekends at home more jealously than Americans do; they didn't take kindly to the idea of showing up at Blaricum on Sunday night to be ready for bright-and-early training sessions Monday morning. Besides, it is almost impossible to tempt the Dutch house staff into Sunday work.

Beset from both sides, IBM changed the arrival time to Monday morning and dropped the first session of the usual four and a half day course.

• How Dry They Are—The company's ban on alcohol is potentially even more embarrassing. In the U.S. training centers, a few standard jokes are usually



CUSTOMERS RELAX in plush gardens of IBM's Blaticum training center for computer users. But European businessmen lift eyebrows at their U.S. host's no-cocktail rule.



SEMINAR at four-day course (above) brings together executives from several countries. The programs at the chateau (below) are modeled after those at IBM's U.S. Homesteads.



BUSINESS WEEK . Feb. 27, 1960

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Considerable data on underground water resources of New York State have been collected, too. Numerous wells all over the State provide information on water tables and fluctuations, plus chemical analyses and temperature. And the experienced yield of various aquifers or substrata can be determined from the record of wells in any general area.

Raw materials near and far

New York State has also compiled reports on all other raw materials, including (1) location, quality and quantity of minerals, forest and agricultural products in the State; (2) approximate cost of out-of-state materials laid down at specific sites in the State, If you need components or semi-processed items, we will furnish details as to specifications, costs and delivery schedules.

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Keith S. McHugh, Commissioner, N. Y. State Dept. of Commerce enough to clear up the matter-and staff members are apt to look the other way if a customer's flask falls out of his pocket.

Visiting Europeans are another matter; most of them are quite put out when they find they can't always have the customary wine with their meals. Gradually, they accept the rule, but they don't like it. Incidentally, while the guests are still usually unable to honor the grape at Blaricum, IBM has surrendered on another vinous front:

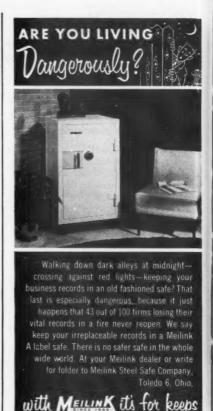
Its French factory employees get wine with all their meals in the company cafeterias.

• Anti-Togetherness-Of a more personal nature is the aversion of the average European businessmen to rooming with anyone-a point that IBM has found does not bother most Americans of equal age and position. An IBM executive who was born and educated in Europe suggests that the difference is that Americans learned to get along with roommates in college. Whatever the true explanation, the situation illustrates nicely how easy it is to insult a European customer and how tricky it is to transplant an accepted social routine to alien soil. On this point, IBM usually gives in gracefully.

Another angle that IBM hadn't foreseen is the difficulty of keeping groups together for the informal evening bull sessions that are considered an important feature of the U.S. version of the program. For one thing, the men tend to flock together by national groups, to relax without any language barriers. And since Blaricum is only 16 miles from the beckoning attractions of cosmopolitan Amsterdam, it's hard to keep the visitors from scattering.

· Program Grows-Despite these difficulties, IBM World Trade still regards Blaricum as a very effective way both to teach customers how to get the most from IBM equipment and to do a selling job on selected prospects. Last year, 377 European businessmen went through the various programs in 15 groups. Between times, the facilities were used for advanced training of some 300 of IBM's overseas people. A much larger number of customers will go through the programs this year.

Because Blaricum is a plush place-as are the three Homesteads in the U.S.and because room, board, and transportation are free, IBM feels that it must pound home the idea that the estate is an educational tool and not in any sense a mere giveaway. So the guests really go through a comprehensive four-day program in the various applications of computers, ranging from running a refinery to keeping the books of a bank. On top of that, IBM management is getting better personal un-derstanding of its European counterparts. END



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Photographed at Indian Lake Estates: Wide, white sand beach sloping gently into Lake We-oh-ya-Kapka.



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All Purchasers Must Be Approved by the Indian Lake Club

In Management

Management Consultant Warns Employers Of Wide Extent of White-Collar Thievery

Light-fingered white-collar workers are stealing about \$4-million in cash and property from their employers every working day, management consultants Norman Jaspan and Hillel Black report in "The Thief in the White Collar," a book published this week by J. B. Lip-

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More than half of the Jaspan firm's consulting assignments, undertaken to improve management techniques, not to investigate possible thefts, have resulted in the uncovering of crime, he asserts. In 1959 alone his organization unearthed more than \$60-million worth of dishonesty in American companies. And more than 60% of that total was attributable to supervisory and execu-

tive personnel-not rank-and-file workers.

"If the American businessman doesn't awake to the problem," Jaspan and Black warn, "he will discover the white collar thief has not only picked his pocket but stolen his pants." Their advice to management: Pick strategic control points-such as shipping, receiving, and exits -and set multiple watches over them. Develop performance standards-and check on results. Subdivide work so that no employee has full control over any record or transaction. Don't let employees know exactly what controls are being used. Make unannounced spot checks of operations, and occasionally insert a deliberate error into the system to see if it is caught.

Campus Recruiters Need More Training, More Knowledge of Candidates' Interests

Corporate recruiting on college campuses is a big but not necessarily a well-run business, recent studies by the American Management Assn. and the University of

Washington suggest.

AMA surveyed 273 companies and 139 college placement officers. Prof. Sanford Bunin of the University of Washington got opinions from 75 students and also talked to a number of recruiters. The results, as reported in the publications Management News and Advanced Management, indicate a certain amount of discontent on all sides.

Nearly one-fourth of the companies thought their own campus recruiting programs were inadequate. The placement directors were better satisfied, but still found part-time recruiters ill-prepared for the job and both full-time and part-time recruiters often discourteous. Bunin reported that most of the recruiters he talked to had had little formal training for their jobs.

The students were most negative of all. described recruiters as falling into six general types: (1) the salesman, who finds out nothing about the candidate; (2) the interrogator, whose rapid-fire questions give no chance for amplification; (3) the busy man. who sometimes asks no questions at all; (4) the columnist. whose questions are highly personal; (5) the repeater who simply rehashes the application form; (6) and th big-time operator, who shows off his own knowledge The students took a dim view of all types.

Some suggestions from the studies: Recruiters nec more training in interviewing and better briefing on job actually available. They should spend less time giving general information about the company, which can be presented in written form. They should find out more about a candidate's interests and qualifications, rely less

on personal impressions.

Annual Reports in Braille or on Record Planned for Blind AT&T Stockholders

Blind stockholders of American Telephone & Telegraph Co. won't be in the dark about their company's

financial situation this year.

For its sightless owners, the utility is putting out two special editions of the annual report-one in Braille and one on a 12-in. 33\frac{1}{2}-rpm. record. Copies will be personally delivered to stockholders who ask for them by members of the Telephone Pioneers of America, an organization of long-service and retired telephone employees.

If the Pioneers report favorable reactions, special reports for the blind will continue. This year's venture is experimental. AT&T doesn't know just how many of its 1,737,000 stockholders are blind—though it estimates at least 3,600—or how many of them want such a service.

However, requests for the special reports have already come in from several owners of 1,000 or more shares. The idea, originally proposed by a blind stockholder a couple of years ago, went over well with those queried by AT&T management employees in the course of the company's program of home visits to stockholders. And anyway, says AT&T, the cost is "less than you might think.'

Businessmen in Five Midwestern Cities To Vie in Business Game Tourney

The competitive reach of business games is beginning to spread across state lines. Businessmen in five Midwestern cities will clash next week in a contest simulating the problems of marketing management. Remington Rand Div., Sperry Rand Corp., which will supply two electronic computers as scorekeepers, says the event will be the first live inter-city business game tourna-

Some 200 members of the Society for Advancement of Management will meet simultaneously in Cincinnati, Columbus, Cleveland, Dayton, and Indianapolis Mar. 1 and 2. Representing some 40 imaginary competing companies, they will hire and fire salesmen, set prices, determine advertising budgets, and allocate inventory. A series of such decisions will be telephoned to Univac computing centers in Chicago and Cleveland, where the giant brains will tote up the results.

BUSINESS WEEK . Feb. 27, 1960

Management 109

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INTERNATIONAL OUTLOOK

BUSINESS WEEK FEB. 27, 1960



U.S. exports have not measured up to expectations during the first two months of the year. Unless there is a strong upswing soon, the U.S. will be in for another big payments deficit this year—\$3-billion or more. (Last year our international accounts were \$3.7-billion in the red.)

Washington had been counting on a big increase in exports to shrink the deficit to about \$2-billion in 1960. That would have removed any danger of large gold losses. Now U.S. officials aren't so certain.

January exports, to be sure, were 12% above a year ago. But, at an annual rate, they were less than the fourth quarter of 1959. Incomplete returns for February don't show much change.

With this slow start, exports for 1960 probably won't reach the \$18-billion-plus that had been hoped for. Imports, by contrast, seem likely to match the earlier estimate—\$16-billion—for the year.

The possibility of a \$3-billion payments deficit looks especially serious when you consider that the cyclical forces now are running in the U.S.' favor. Both Western Europe and Japan are riding the kind of business booms that ordinarily boost their demand for American goods. Also, there are special factors pushing up U.S. sales of jet airliners and raw cotton.

If the U.S. should still run a huge deficit when world markets are expanding, what will our position be when cyclical factors turn the other way? That's what is worrying Washington.

The Administration, meanwhile, has bogged down with its efforts to develop a comprehensive program to encourage sales abroad (BW—Jan. 9'60,p67). There's an interagency squabble over the nature of the program and who is to run it. However, the new worries over the balance of payments outlook probably will force agreement soon—at least on government backing for better medium-term credit facilities for U.S. exporters.

Still, a government export program can only be effective if private business is determined to make a strong drive to sell American goods in world markets. U.S. officials frankly concede that they see few signs that this is the case. Business seems more interested in reaching the overseas buyer through foreign-based plants.

Washington will take its time in deciding how to handle Fidel Castro's sudden bid for new U.S.-Cuban talks. Although the Castro note had an encouraging tone, there was one hook in it. That was the condition that the U.S. guarantee not to change the Sugar Act to Cuba's detriment during the course of the negotiations.

Actually, the Administration hadn't finally decided when Castro's note arrived whether or not to ask Congress to amend the Sugar Act when it comes up for extension late this session. It seemed certain, though, that Congress would be asked to give the President discretionary authority to trim down the advantageous position Cuban sugar now enjoys in the U.S.

At midweek, Administration officials were taking another look at the tactics of the situation. If the amendment were put through, Castro might regard this as a prelude to a cut in Cuba's sugar quota. Even so, most officials seemed to feel that the U.S. should refuse to accept Castro's condition. Otherwise, they said the U.S. would go into the negotiations with its hands tied behind its back.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK FEB. 27, 1960 The West German government has denied reports that it is negotiating with Madrid for military bases and training facilities on Spanish territory. Bonn officials claim that their interest is limited to setting up supply depots in Spain. By using sparsely populated Spanish areas for these depots, the West Germans would prevent further congestion in their heavily populated and industrialized country.

In the background of this business, according to some Bonn observers, is the ambition of the West German Luftwaffe to establish air bases on Spanish soil. As the Luftwaffe expands, one of its major problems is finding adequate sites in West Germany.

Whatever Bonn's intention, Washington will move to block any German-Spanish deal. Even though the dickering has barely started, it already has raised sharp protests in Britain and the Scandinavian countries. These nations still remember Franco's collaboration with the Nazis before and during World War II.

Some damage may already have been done to Western unity—especially on the touchy issue of Berlin. British and Scandinavian relations with West Germany recently have been strained by trade differences and by political suspicions arising from the flareup of anti-semitism in the Bonn Republic.

There are signs of increasing strain between Peking and Moscow. The leaders of Red China take a dim view of almost everything Nikita Khrushchev is doing these days.

It's Khrushchev's co-existence policy that is at the root of the trouble. As Mao Tse-tung sees things, the Soviet leader has become much too friendly to the U.S. The exchange of visits between Khrushchev and Pres. Eisenhower, plus the coming summit meeting, strike Mao as pure appearament of the West.

Mao also is bothered by the visit of Khrushchev has just made to India. The Soviet leader promised the Indians increased Soviet economic aid, and took a neutral stand on the Chinese-Indian border row. Then, while touring Indonesia this week, Khrushchev suddenly decided to go back to India for further talks with Prime Minister Nehru.

It's possible, of course, that the Soviet Premier plans to end his Asian junket with a stopover in Peking. Even then, it would be hard for Khrushchev and Mao to patch things up—barring a basic switch in Soviet policy.

The Macmillan government is getting ready to put Britain's state-owned railroad system on a new financial footing. Over the last two years, the British railroads have been losing far more money than the government had anticipated when it approved a big modernization program in 1956.

The British government now has to decide whether to give the Transport Commission an open subsidy—on the ground that the railways run many unprofitable services, including the London commuter system. Another solution would be for the government itself to take over the rail tracks and maintain them, charging an annual rent to the Transport Commission.



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New Flurry Over Trading Stamps

This may be their biggest year yet, as more retailers in more areas succumb to what many consider a necessary evil.

"Trading stamps will explode again

Thus confidently Pres. Curtis L. Carlson of Gold Bond Stamp Co., Minneapolis, sums up his outlook for the small bits of paper that represent such big business—and so much controversy—in the market place (BW—May 19'56,p43).

Not all the other top companies are so ebullient about 1960 as the aggressive head of the No. 3 concern. Most shy away from the word boom. But all predict growth, from a record 1959. And all agree that some interesting spot

developments are at work:

• This week, Gold Bond started banging its way into the Southeastern market, with a brand new Gold Bond customer as the springboard. This is Colonial Stores, big food chain head-quartered in Atlanta. Colonial scrapped its own captive stamp plan for Gold Bond's in about three-fourths of its 475-odd stores (Sperry & Hutchinson Co. has the rest).

• A few weeks ago, a trading stamp storm blew up on the West Coast—and it's still blowing. Blue Chip Stamp Co., a cooperative formed several years ago by nine food and drug chains · (including Safeway Stores), broke into the Los Angeles area, selling, reportedly, 1-billion stamps the

first week.

• A&P Succumbs—Most intriguing tidbit in the Blue Chip story is the entry of 20 A&P stores in the trading stamp game in Los Angeles, with Blue Chip stamps. Both national and local A&P headquarters are resolutely mum as to whether other A&P outlets will go the stamp route. A spokesman carefully points out that the No. 1 food chain has never said in so many words that it would not give stamps, and that it has done so in the past in some localities

Most observers interpret A&P's Blue Chip deal as an anti-stamp, rather than a pro-stamp, measure. But A&P's apparent aversion to stamps has made this company the biggest, most tantalizing stamp plum still hanging on the tree.

• Two-Way Sword—To understand why Blue Chip acts like a two-way sword in the stamp duel, you have to recall that the company's founding fathers deliberately set out to kill stamps with stamps, by so saturating a market that no company would find

Who's Wh	o in	Tradi	ng Stamps
			INCLUDING
THE BIG THREE 1. S&H Green Stamps		70,00 0	Acme National Tea Winn-Dixie Red Owl Loblaw
			Gold's Wolf & Dessauer
2. Top Value	325	30,000	Kroger Penn Fruit Stop & Shap American Stores Winn-Dixie Giant Food
3. Gold Bond	235	14,000	Safeway Super Valu IGA Colonial
SOME ACTIVE CONTENDERS:			Safeway
Blue Chip			A&P (Los Angeles) Thriffiment Rolphs Thriffy Drug
Gold Bell	27	2,000	ACF-Wrigley Speedway Gas
King Korn	80	3,000	National Tea Winn-Dixie Eagle Food Mayfair
Merchants Green	70	5,000	Food Fair Peoples Drug Esso Phillips
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stamps worth while. The conventional stamp company is in business for profit. It sells its stamps to merchants at a price that will cover the retail value of the premiums it gives, makes its profit on the difference between that price and the wholesale price it pays for the premiums. Further, it sells its stamps on a franchise basis: to one supermarket in an area, one gasoline station, and so on.

Blue Chip calls itself a nonprofit organization. Its stamps cost merchants less than most stamps cost. And it has no franchise policy—anyone who wants

its stamps may buy them.

• New Markets—Stamps are picking up momentum in other areas; in Chicago, according to Carlson; in Dallas, where S&H has sat "fat and happy with hardly any competition," according to an S&H spokesman, till Gold Bond moved in a few weeks ago and drummed up fresh excitement. Carlson believes, too, that pressures in such states as Washington—where prohibitive license fees still restrict stamps that are exchanged for premiums—may bring a change of legislative heart that will open up that market.

I. Where Are They Now?

Exactly how big the business is no one knows. No one even knows how many trading stamp companies there are; estimates range from 250 to 500.

The table (page 115), listing some of the leading concerns, tells at the least that trading stamps have become an enormous distributive system. It's estimated that the country now supports about 1,600 redemption centers, where members of over 40-million families take the stamps they have collected to exchange for premiums, averaging around \$3 retail value per book-paid for by the merchants who buy the stamps to give their customers. The Trading Stamp Institute of America puts sales of stamps to retailers around \$600-million last vear, which means retail value of premiums ran about that amount. In 1958, stamp sales ran around \$550-million.

• The Leaders—Common consent gives S&H the No. 1 spot, with Top Value Enterprises, cooperatively owned by Kroger Co. and other chains, safe in the No. 2 spot. Gold Bond, which claims gross sales of \$40-million in stamps last year, is generally conceded the No. 3 position, though Chicago's King Korn Stamp Co. also claims third place. Below the top three, how the companies rate is anyone's guess.

Some talk has it that stamps are losing their appeal. Trading stamp companies aren't acting that way. S&H added 50 redemption centers last year, looks for more this year. Fast-growing Blue Chip, with only five centers now, expects 50 before very long. Merchants Green, Food Fair subsidiary, added 20

centers in 1959, plans 30 more this year. It increased the number of retail outlets it serves some 30% in 1959.

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Stop & Save Trading Stamp Corp., Grand Union's captive operation, reports a 30% increase in sales of its Triple-S stamps last year, and so far in 1960, it's running "substantially ahead" of 1959. Gold Bond looks for a \$10million boost in sales—thanks mainly to Colonial Stores.

II. Where Next?

One thing is sure. Competition and more competition is the order of the day and the year. As fewer vacant spots are left on the map for stamps to move into, the race takes a different turn.

S&H, already in most of the major markets, points out that it grows as its customers grow. Besides, S&H is beating the bushes for new outlets: Department stores look to be a promising, and relatively untapped, field. And as one company or another grabs up most of the large food chains, S&H is putting new emphasis on smaller stores.

• Recipe—Gold Stamp's Carlson has notions of his own on how to grow.

He counts—as other stamp companies count—on competition among retailers to build stamps. Trading stamps are supposed to differentiate the stampgiving store from the non-stamp store. In other words, they help mold the store's "corporate image." This, of course, holds less true when the competition gives stamps. So companies must do some active promoting.

His own solution: The "it's fun to

His own solution: The "it's fun to shop" theme-with trading stamps pro-

viding the center of the fun.

So this year Gold Bond is offering monthly promotions: Pirate Days, when customers bring to the store keys they have received by mail. Every tenth key opens a "treasure chest"—and wins the key holder a prize. "Mystery checks," in invisible ink, are another gimmick. The customer must come to the store to find what they are worth.

• Whole Hog—For a major event, such as taking on a big customer like Colonial Stores, Gold Bond goes the whole hog. This week the company started a \$1-million media program to blanket the Southeastern states. Since Gold Bond is coming fresh to this market, it is setting up a warehouse in Atlanta, and 30 to 40 redemption centers. Some 75 of its top salesmen are moving into Colonial's territory to build outlets.

Undoubtedly, a running program such as this helped Colonial in its choice of a new stamp. Competition for a good stamp plan is keen, and S&H and Top Value were already established in Colonial's market with their own supermarket customers. But Colonial's main reason for switching from its own plan was this: Administering the plan

was cutting in on its time to do its own job of running supermarkets.

• Other Gimmicks—Carlson believes that some other developments will help stamps grow this year. One he calls dealer loading. The manufacturer or processor inserts extra stamps in the wholesale unit, which the dealer can give his wife. This is supposed to soften up the dealer, persuade him to give that product shelf priority.

Another he calls vertical expansion. The manufacturer or processor attaches stamps to the consumer package in lieu

of other premiums.

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• Necessary Evil—Does all this mean that hostility to stamps has waned? Even though many one-time opponents insist that stamps have become an integral part of merchandising, the resistance still lingers. Big Safeway Stores, while deep in stamps in many markets, still considers them at best a necessary evil.

Ironically, stamp companies are by no means rejoicing over one sign of trading stamps' power: Blue Chip's fast climb. They are dismayed with its basic

saturation policy.

Even Blue Chip is surprised at its own success in Los Angeles. It may be that its philosophy has mellowed somewhat over the years. It apparently figures to be in the market a long time. "This is no fad," says Charles Rote, its general sales manager. "No woman was ever hurt by trading stamps and they'll be saving them for years yet."

Yet its long-range objective still holds. It emphasizes that it was started as a defensive measure. Long range, Rote points out, "saturation" maybe will eliminate all stamps. Meanwhile, Southern California has a good stamp to compete with S&H's Green Stamps, which till now has had the bulk of the

stamp business in this area.

• Retailer Reaction—Immediate reaction among retailers has been all in favor of Blue Chip. "I've been operating service stations for 25 years, and Blue Chip is the first stamp I've ever handled," says a Los Angeles gasoline station operator. "It's the first fair plan I've seen [a reference to its no-franchise policy], and I can get the stamps for two-thirds the price of any other trading stamp."

Challenge—Sperry & Hutchinson appears unmoved by the Blue Chip challenge. The new company may have slowed S&H's own sales, but "we aren't out of business in Blue Chip's market,"

a spokesman points out.

For the most part, S&H serenely ignores the more flamboyant promotional approach, concentrating on new outlets, better catalogues, higher-quality premiums, and more efficient operation. It sums up the overwhelming reason for its confidence in the longevity of stamps: "The longer people collect them, the better they like them." END



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WEST VIRGINIA

Britons Plow Into U.S. Market

As the import flood continues, Landmaster launches a program to market its light farm and garden equipment here.

In a bright Arizona field last week, a group of Britishers swapped their canes and bowlers for cowboy-style shirts and belts and raised the curtain on what they hope will prove a big new business: selling British farm and garden equipment to the U.S. market.

Landmaster, Inc., newly formed U. S. subsidiary of Landmaster, Ltd.—a member of Firth Cleveland, Ltd., of London—pulled out all the stops to make this show, called Tillerama, a block-

buster.

High Hopes—Between now and Mar.
 the company expects to show its wares to roughly 150 dealers and distributors. At the end of that period, it hopes to have itself a distribution network for this country. At the least, it expects to have a clearer idea of the response that its products will get here.

How Landmaster set about cracking the U.S. field throws some light on one of the phenomena of today: the flood of imports in a variety of lines that has created a furor among U.S. manufacturers (BW-Nov.7'59,p47).

• Important Difference—On one important count, Landmaster feels it has a different story to tell from that of most overseas concerns. It uses American motors—Briggs & Stratton, Lauson, or Clinton—in its Landmaster line. That way, it figures it will get a warmer reception here because it is opening up a market for U. S. producers on the one hand while it is squeezing into the U. S.

door on the other.

The demonstrations now going on in Glendale, some 15 miles from Phoenix, climaxed about 18 months of preliminary spade work. Firth Cleveland, Ltd., commonly known as the Firth Cleveland Group, with total sales of some \$100-million, is a complex of some 65 companies operating internationally. It has shot into prominence in Britain only within the past few years. Most of this is the result of 67-year-old Chmn. Charles Hayward's freewheeling efforts to diversify and buy a whole range of companies, from tool manufacturers to garden equipment. Last vear it acquired Solartron, electronics producer, and, in January, added a 300-store retail chain. Member companies also make valves, fuel control and pipeline equipment, self-locking nuts, and steel rods and wire.

Firth Cleveland has already had ex-

perience selling in the U.S. through various subsidiaries.

• Careful Market Research—About two years ago, John Smeddle, the very pukka sahib president of Landmaster, Inc., broached the idea of selling to the U.S. Smeddle himself put in some six weeks in research in London, at the British Board of Trade, at the American Embassy, talking with agriculture and commercial attaches.

Smeddle, then export executive for Landmaster, Ltd., had run into people from a Chicago agency, Grant Advertising (Ceylon, Ltd.), while he was doing business in Colombo. So when he arrived in Chicago last April, he headed for Grant headquarters. By that time, says Glen E. Shears, Grant account supervisor for the Phoenix shindig, Smeddle "knew things about America, the Midwest, and Chicago that we never knew."

Shears and Smeddle set out for a seven-month tour of the country to verify and expand what they had already discovered. They traveled from New York to Seattle to San Francisco, went to trade conventions, called on some distributors. They got statistics on the number of farms, of harvested acres, the top crops in each state by acreage, and a census of farm equipment.

• Strong Conviction—They came out of this tour convinced that the U.S. was their baby. They saw a highly mechanized country, with an eager market, especially among small farmers and home handymen. Tiller sales in the U.S. last year ran anywhere between 325,000 and 500,000 units in the sizes Landmaster makes, they estimate.

Landmaster picked the Chicago area—with handy shipping, highway, and air transportation, and with engine plants nearby in Wisconsin and Iowa—as headquarters for offices and plant. And it decided to stake its future on one big sendoff as the quickest route to a distributorship.

It picked Phoenix as the scene, says Smeddle, because the weather was right, the soil was right, and crops are growing right now. Further, Smeddle was quick to appreciate that potential customers would respond to a mid-winter invitation to Phoenix faster than to

Chicago, say.

"He was so right," commented a distributor who made the trip. "Who could refuse a vacation in Phoenix when the snow is piling up at home?" Out of 150 invitations, the company got 149 acceptances.

• Solid Brass-Landmaster brass turned out in force for the big show: Besides

Smeddle, there were John Howard, managing director of Landmaster, Ltd.; Miles Bayly, vice-president and secretary of Landmaster. Inc.

tarv of Landmaster, Inc.

Landmaster officials feel its line has some pluses that other equipment on the market here don't have. Selling as it does to agricultural nations with low literacy in some cases, Landmaster has stressed simplicity of operation and repairs, with motors geared so that a little power goes a long way. It has also stressed versatility. Its Mark 80 model has a total of 56 attachments; the Mark 150, about 23.

• Few Concessions—Except for the U.S. motors and more emphasis on styling, Landmaster made no special production changes for its new market. Neither did it change its merchandising techniques much, except that a splurge such as the Tillerama would be unknown in Britain. Its aim will be first to establish itself as a company with a name for quality.

Apparently, the company is making few price concessions to win dealers, though Smeddle admitted that the markup was quite low. Price for the basic Mark 80 kit with four attachments runs about \$160 retail, for example. The bigger Mark 650 sells for \$1,295.

How much such an all-out drive is costing Smeddle isn't saving, except that it is "lots of money." The ad budget is pegged at about 7% of sales. Hopes are for some \$5-million in sales the first year, perhaps triple that in

three years.

• Response—The first group to see the line last week were mainly representatives of large chain and mail order houses. They appeared impressed. They liked the simplicity, the versatility. "This looks like a good market, anyway," said the buyer for Spiegel, Chicago mail order house, "because tillers give the small farmer and even home owners an easy way to work." Furthermore, he felt that British merchandise, generally, has a good reputation here. Spiegel will feature the Mark 80 and 150 in its 1961 spring catalogue.

In a strenuous question and answer period at the end, some doubts were aired. Some buyers felt the price might look a bit steep. Others thought not, in view of the products' capabilities. Another question was whether the 2½-hp. motors Landmaster uses would go over with the American public, which usually thinks in terms of 3-hp.

Landmaster isn't going all-out on such a venture with any thought that its line will flop. But, says Howard stoically, "If it isn't a success, we will at least welcome the fact that we have gained some experience."

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BUSINESS WEEK • Feb. 27, 1960

BUSI

BRIT



BRITAIN'S John Smeddle, president of Landmaster, perches atop Mark 650 tiller as he introduces line to U.S. dealers.





LITTLE Mark 80's versatility and ease of operation should make hit in U.S., hopes Smeddle, in cowboy garb this time.

JOHN HOWARD (left), managing director of Landmaster, Ltd., shows off Mark 150 to Speigel buyer Stanley Adelman.

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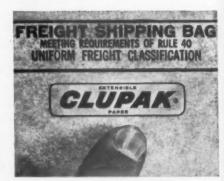
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In Marketing

Hotpoint Standardizes Charges For Repairing Its Appliances

Hotpoint Div. of General Electric has struck at a chronic cause of customer complaints by standardizing its service charges. Its service organization now quotes customers a fixed price for repairing, replacing, or adjusting any component in a Hotpoint appliance. It claims the system has cut the number of complaints about repair costs in half.

Previously, Hotpoint had followed customary trade practice on service jobs. It would provide a loose estimate. But it would adjust the final price according to the actual time required to complete the job.

Hotpoint devised the standard charges after running a series of time studies and analyses of service calls. Its charges include a normal element of profit. While they are stabilized for a particular location, they vary from city to city according to labor and overhead differentials.

Play of Week to Get Wider Audience; Standard Oil's Commercials Praised

New York's prodigy of cultural TV programing, Play of the Week, will now be shown in a number of other cities. The play's New York sponsor, Standard Oil Co. (New Jersey), also will underwrite the program for showing in Washington, D. C. (BW—Jan.23'60,p34). And National Telefilm Associates, which produces the taped show, has sold rights to broadcast it to stations in eight other cities—Los Angeles, Rochester, Schenectady, Buffalo, Pittsburgh, Denver, Baltimore, and Greenville, S. C. Some of these stations are network affiliates. Most of them, including the Washington station, will present the program once a week as contrasted with NTA's schedule of seven showings a week in New York.

Standard Oil is delighted with the heavy flow of mail it has been receiving approving both its sponsorship and its ultra low-pressure commercials. Says one official, "Our commercials just tell the audience a little about the oil business in a general way—but from the reaction to the show, we think this approach is bound to pay off at the gas pump."

ABC Forms Film-Tape TV Network For Five Central American Countries

American Broadcasting Co. has furthered its plans for penetrating foreign television with the formation of the Central American Television Network. In six to eight weeks, the network will start evening programing in five nations: Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. At first, the stations will not be linked by coaxial cable but will simultaneously present

kinescoped or filmed shows. ABC will present mostly programs of its own, but it says it will not exclude programing from other sources.

The network can reach a total of 55,000 sets. ABC claims that 67% of all sets are tuned to the average evening show and that total audience per set runs substantially higher than in the U.S. For sponsorship, the network will charge \$575 per prime evening hour. ABC will act as sales agent for the network, of which it owns 51%. It has a minority interest in the Costa Rican station.

ABC also has several applications pending for Australian stations.

British Importer Announces New Hillman; Dutch Counter With a "Bargain" Model

An executive of a leading foreign car importer invaded the homeland of American autos this week to deliver some observations on the small car struggle. Speaking in Detroit, Ian Garrad of Rootes Motors, Inc., acknowledged that over-all import sales probably won't continue at the levels established in the past two years.

Garrad suggested a Detroit-style recipe for foreign car makers' success: "It will take improved sales, service, and expanded manufacturing facilities to compete." And he conceded that "even a very good car must every so often be made better." Then he revealed his better model a new Hillman offering fully automatic transmission.

Garrad claimed this is the first car with fully automatic transmission that sells for less than \$2,000.

Garrad got quick evidence of alert foreign competition. Imported Cars of Holland Inc. immediately advertised its DAF offering fully automatic transmission at a price several hundred dollars under the Hillman.

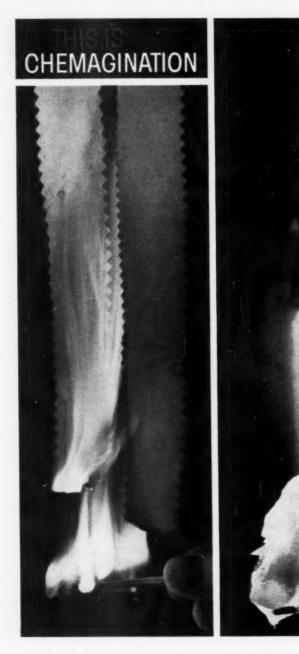
International Shoe's Plans Include Development of More Retail Outlets

Big International Shoe Co. (1959 sales, a record \$283-million) plans to go deeper into retailing. The No. 1 shoe manufacturer disclosed for the first time this week at its stockholders' meeting that it already has \$25-million of its \$100-million working capital invested in retailing. "It is your management's opinion that it will be necessary to go further in the development of retail outlets," said Pres. Henry H. Rand.

The ruling that the Brown Shoe Co.-Kinney merger violated the antitrust laws—a ruling that Brown is appealing to the Supreme Court (BW—Nov.28'59,p75)—has put a crimp in shoe manufacturers' retail expansion. Despite this, says Rand, International still has two doors open: (1) It can expand the outlets in which it already has a stock interest; and (2) it can expand its Shoenterprise plan, under which it lends 60% of the capital needed to independent retailers.

Rand acknowledged that the company's unit sales were down 5% in January, along with the rest of the industry. But he predicted a record year. If unit sales remain unchanged, higher shoe prices will push dollar take up,

he said.





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THE MARKETS

SEC Writes Rules for Mutuals

New proxy regulations will require investment companies to reveal more about the outfits that give them investment advice or management services.

Adoption of the new rules was stimulated by insiders' big profits on sales of stock in advisory and management companies.

■They are less drastic than SEC first proposed; so far, there's no curb on the fees paid for services.

The Securities & Exchange Commission this week adopted new proxy rules tailored specifically for investment companies. They go into effect Mar. 4, just in time for the new proxy season.

The rules are the first fruit of a commission inquiry that was inspired by public sale of stock of investment management companies. Up to now, solicitation of proxies by mutual funds was subject only to the same general rules applicable to industrial company solicitations. But SEC, concerned over the close relationships between the funds and the outfits that provide them with investment advice or management services, decided it was time to adopt special rules for them.

Specifically, SEC officials were perturbed by the extremely big profits that some management company "insiders" have acquired upon sale of part of their stock holdings to the public. They also wanted to make clear to the public whether or not offerings of stock involve giving up control. In most cases, public offerings of management companies have not entailed any diminution of insider control.

• More to Disclose—As they stand, the new rules require disclosure of more information on the financial relations between mutual funds and their management advisers than ever before. But they are not so stringent as SEC had originally suggested chiefly because of industry criticism of the proposals.

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SEC's new measures apply both to proxies solicited for election of directors of investment companies and to action taken on an investment advisory contract. Such proxies now will have to disclose terms of the investment advisory contract, including the rate of compensation of the adviser; ownership and control of the investment adviser; and interests of the investment company sponsors—or underwriters—in the investment advisory concern.

· Reporting Fees-One rule requires

that any action taken in connection with an advisory-or management-contract in the last fiscal year by the investment company directors must be spelled out. They must report, for example, any specific fees paid. Management fees ordinarily run at an annual rate of ½ of 1% of the fund's total assets. In addition, the new rules demand identification of any director who, at the time the investment company took action, owned any securities or other material interest in the management company. And unless the adviser is a bank, a balance sheet of the management concern must be included in the proxy.

Where the proxy proposes action on an investment advisory contract, the new rules require details of the terms and the material differences between the new contract and previous arrangements. Details also must be given on any understanding reached on the composition of the board of directors of either the investment company or the investment adviser as a result of the proposed new contract.

• First Proposals—These rules, however, are not so sweeping as those originally proposed. Primarily, this means that certain financial aspects of the investment advisers are omitted.

Originally, for example, SEC would have required an actual profit and loss statement for the investment adviser—instead of just a balance sheet. The industry complained, though, that such information is immaterial on a proxy statement.

In revising its rules, SEC also has backed away from insisting that officers, directors, and partners of investment advisers state the actual amount of their interests in the management concern, the fund, or the underwriting firm. Instead, the final rules require only that the nature of such interests be listed. Lehman Bros.—which serves as investment adviser to Lehman Corp. and One William Street Fund, Inc.—com-

mented that "very real damage would be done to Lehman Bros. and to its partners through any requirement that partnership interest and the results of partnership operations be broadcast to the world."

The original proposals also would have required extensive information on specific remunerations received by management advisers—such as salaries, options, loans, pensions. The final rules omit this requirement entirely. SEC says it wants more time to study this area before making a move.

• Loopholes—The question still remains, though, whether adoption of the proxy rules is SEC's final solution to the problems it sees in the investment company industry. The disclosure rules cannot by themselves regulate or prohibit sales of management company stock or the size of the fees that advisers charge.

In fact, the new disclosure of an advisory contract's terms does not attack the fee size directly, but presumably the publicity might be somewhat inhibiting. A lot of heat has been generated over the size of fees-and the SEC, among others, has some doubts whether mutual fund directors have insisted on seeing to it that their funds get the best possible investment advice at the lowest cost. Critics also argue that the cost of furnishing advice does not increase so fast as assets rise. The cost of advising a \$750-million portfolio, f : example, is not much mesa than the cost of doing the same for a \$75-million portfolio.

• Legislating fees?—Though its new rules take no direct action on fee size, the SEC did receive some controversial comments on what should be done in the area. One highly respected corporation lawyer, for instance, suggested that the industry voluntarily reduce its fees, chiefly to forestall possible legislation. The mere suggestion created a storm of protest inside the industry.

So far, SEC does not even hint that it wants to become a rate-making bureau on advisory contracts. It does hope, however, that by putting the pressure on fund directors now some self-reforms may come. And the commission may still decide, after an appropriate trial period under the new disclosure rules, to take further steps.

Some industry men fear that these steps will bring legislation to curb and regulate the sale of controlling interest in advisory firms by insiders, as well as the size of fees. Just what form this legislation might take is not clear—and, in fact, SEC spokesmen will not admit any legislation is under study.

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saves \$21 a day in labor costs

...and sweeps far cleaner than can be done by hand!



"Alsle-designed" Tennant "80" sweeps ultra-clean; cleans aisles up to 8½ wide in one round trip

In a medium-sized Cleveland plant, a vacuum-equipped TENNANT Model "80" Power Sweeper saved \$21 a day in labor costs alone. That's \$5,460 yearly! Perhaps you'll save more . . . perhaps less. But in every case, you can expect that a heavy-duty TENNANT Sweeper will cut your cleaning costs by at least 1/3 (manhours saved) - and give you extra-clean floors.





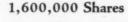
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New Issue

February 16, 1960



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Odds on New Rate

Compromise with Congress would permit Treasury to issue bonds paying more than statutory 41/4%.

The Treasury's fight for Congressional permission to issue long-term bonds paving more than the statutory ceiling of 41% took on new life this week. For the first time in a year of maneuvering, Republicans and conservative Democrats got together on a plan that bears Treasury approval and that also has a fighting chance of being adopted.

The break came in the House Ways & Means Committee, which voted out a compromise settlement sponsored by the chairman, Rep. Wilbur Mills (D-Ark.), by a vote of 18-to-7. Seven Democrats voted against the new compromise, but Mills carried nine Democrats and all the Republicans with him.

• Terms-The compromise allows the Treasury to avoid the effect of the ceiling without actually ending it. It permits the Treasury to sell bonds up to 2% of the outstanding debt-about \$5.8-billion-above the 41% ceiling if the President declares the national interest is involved.

In addition, the Treasury would be allowed to do advance refunding without limit, offering new issues in exchange for those nearing maturity. Such bonds would bear a 44% interest rate but would be offered at less than face value, giving the investor a yield in line with going market rates.

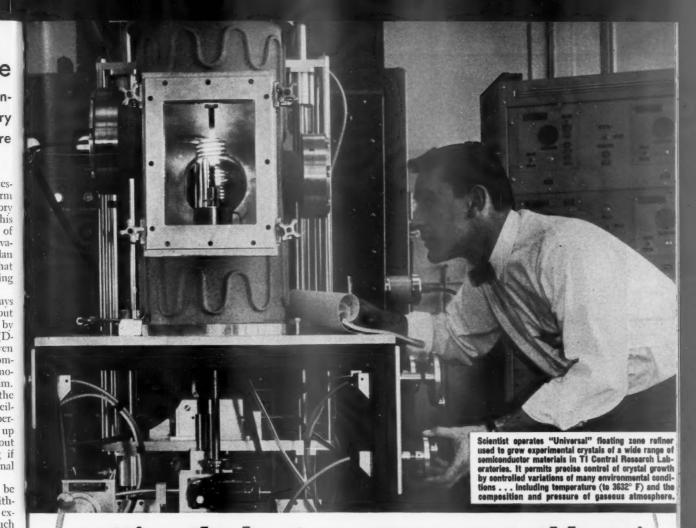
The committee also approved outright repeal of the 4½% ceiling on E and H savings bonds. The Treasury is now paying only 33% on these bonds; its officials deny they are considering an increase, though sales are lagging.

The plan also would remove the interest rate ceiling on special issues maturing in more than five years sold by the Treasury to government trust funds. • Reactions-Government dealers in

New York's money market immediately acclaimed the compromise as a major victory for the Treasury. "It gives Treasury everything it needs," one dealer said.

Treasury Secy. Robert B. Anderson expressed some disappointment at not getting blanket repeal, but agreed that the plan "permits the Treasury to a substantial extent in the period immediately ahead to achieve the debt lengthening that is so important."

• Chances-If the committee does not change its mind, the package seems likely to be adopted by the House. The Senate Finance Committee probably



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This is the kind of research that will enable future semiconductor products — transistors and other tiny devices whose uses already range from pocket radios to huge computers and rocketing space vehicles — to perform even more difficult tasks (in deep space explorations and in industrial, commercial and military electronic systems). Advanced concepts and techniques, gained by the world's largest semiconductor manufacturer, keep Texas Instruments at the forefront of such technologies.

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bly 960 This particular program is in progress at TI's Central Research Laboratories. Its purpose is to explore materials that promise a wider operating temperature range and superior performance for solid state devices. Such laboratory projects may well lead to products that surpass the silicon transistor and the Semiconduc-

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Beryllium for the space age

Budd is fabricating—and welding—prototype shapes out of the costly and exotic metal, beryllium—and that's big news in space age metallurgy. Beryllium's combination of elastic, thermal and nuclear properties, combined with its amazing lightness, make it an ideal metal for a variety of space/atomic uses. Through Budd's advanced fabricating and

welding techniques, another obstacle to the use of beryllium has been overcome, bringing its application to space vehicles closer... one more foothold in the dash to the stars. Budd's beryllium pioneering is another example of the company's diversification in the study, testing and fabrication of metals. The Budd Company, Philadelphia 32, Pa.

Mainstreams of Budd's diversified interests: Railway, Automotive, Nucleonics, SpaceAtomics, Electronics, Airframes, Missiles, Metals Testing and Plastics. THE DOWN COMPANY
OFFICES AND PLANTS IN PRINCIPAL CITIES

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will approve it also. But it is likely to run into real opposition on the Senate floor, where a band of Democrats led by Sen. Albert Gore of Tennessee, Mike Monroney of Oklahoma, and Paul Douglas of Illinois, will try to block the bill.

These critics of tight money and high interest rates seemed to have the support of Majority Leader Lyndon Johnson last year, and the fate of the compromise may hinge again on what Johnson does now. The fact that Speaker Sam Rayburn—who is Johnson's unofficial campaign manager for the Presidency—worked closely with Mills in preparing the package may be a sign that Johnson will back the plan.

Chicago Banks Talk Merger

Harris Trust and Chicago National likely to get together in a billion-dollar wedding. The deal lies outside harsh state law against branches.

A financial rarity—a big Chicago bank merger—seemed likely this week. Lester Armour, chairman of the Chicago National Bank (assets: \$217-million) confirmed his bank has been holding merger negotiations with the big (\$816-million in assets) Harris Trust & Savings Bank.

At midweek, neither bank was willing to say that the deal had been clinched. But if it goes through, as seems probable, it will boost Harris Trust's assets over the billion mark and should substantially sharpen competition among the giant loop banks.

The big problem in an Illinois bank merger is the fact that branch banking in any form is prohibited by state law. This means that in a merger one of the banks has to give up its office and physically consolidate with the other. It has been this requirement, more than anything else, that has restricted combinations among Chicago banks.

• Large Building—Harris Trust, however, is in a position to talk merger now chiefly because it has a brand new 23-story addition that can be used to house the Chicago National facilities. In this respect, Harris has a real advantage over its two bigger competitors, The First National Bank of Chicago and the Continental Illinois National Bank, whose buildings allow little room for further expansion.

for further expansion. Harris Trust and Chicago National actually complement each other nicely, with very little overlap between the two operations. Chicago National, since its founding in 1948 as a result of the merger of the Industrial National Bank and the Chicago Terminal National Bank, has concentrated heavily on retail banking services for consumers, particularly residential real estate mortgages, special checking accounts, and auto loans. In its commercial business it has stuck chiefly with local customers, and currently has a large number of middle-sized Chicago corporations on its books.

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On the other hand, Harris Trust, the third of Chicago's "Big Three" banks,

has gone after national names in its commercial banking business. In addition, it has built up a trust department that ranks as one of the largest outside of New York and Boston. On the retail front, Harris has been slow to expand. It didn't open a personal loan department until last year. Thus, the proposed merger will give Harris—up to now principally a wholesale and trust bank—a firm foothold in Chicago's retail banking market.

• Exchange of Stock—Terms of the proposed merger are still a close secret, but the deal will be handled with a straight exchange of stock. Since both Harris Trust and Chicago National are selling at about \$95 a share, most bank stock men are predicting that they will swap share for share.

The motive for merger talks at this time, according to Chicago bankers, was the defeat, last spring, of a bill that would have permitted limited branch banking in Illinois. Armour puts it this way: "Because of state laws, Chicago banks have been static, while demands for banking services from an expanding economy have been growing. From this view, any merger that creates greater banking facilities makes good sense."

• Pressure—It's clear that Armour, and other Chicago bankers, hope that the merger will put the spotlight on the difficulties that Illinois banks face in trying to keep pace with their customers' needs, and will increase the pressure for action on branch banking when the state legislature has its next biennial session in 1961.

But it is considered unlikely that the merger will set off a series of competitive readjustments as did New York's J. P. Morgan-Guaranty Trust union a year ago. "For one thing," says a Chicago banking observer, "none of the other big banks in town have any space where they could expand to take in another bank."

In fact, big Chicago banks all deny any other merger negotiations are under way or even being contemplated.

Wall St. Talks . . .

. . . about SEC and National Bellas Hess, new issues in trouble, Polarad suit, case of foresight.

Stock trading in National Bellas Hess is under "informal" SEC investigation. The Kansas City mail order house was in the news last year when publicist Jerry Finkelstein and mutual fund operator Morris Townsend made heavy purchases and got themselves named to the board. SEC investigators say they are "just curious" about the general trading in the stock, plan no action now.

Some underwriting syndicates were caught when the rally in the bond market came to an abrupt end last week. Morgan Stanley's \$25-million offering of 5% Consolidated Natural Gas debentures and Halsey Stuart's \$72-million in Pacific Telephone & Telegraph bonds were only half sold after a week.

New stock issues were also in trouble. One that failed to move well was Levitt & Sons, Inc., the big homebuilders. The company offered 600,000 shares at \$10 a share through Ira Haupt & Co.; the price fell to \$7.50.

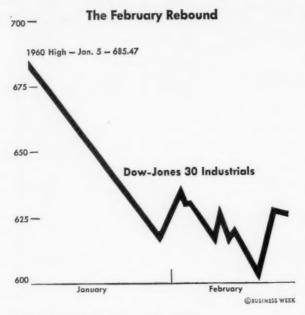
One hot American Stock Exchange issue, Polarad Electronics, was hit by a \$1-million lawsuit. H. L. Hoffman & Co., Inc. has won an attachment against Polarad's assets on its allegation that Polarad owes it more than \$880,000. Polarad denies the allegation, and is moving to vacate the order.

State Street Investment Corp. seems to have spotted in time the internal trouble in J. I. Case Co.—which led to the resignation this month of Marc B. Rojtman as chief executive officer. In the last quarter of 1959, State Street cleared out its entire position of 100,000 Case shares. Current market value of these shares is almost \$400,000 less than at yearend.

H. L. Green Co., the variety store chain whose merger with Olen & Co. fell apart, shot up five points to 29 this week. Insiders say that a new buyer—not Maxwell Gluck, who had waged an unsuccessful proxy fight to oust the present management and is still interested in the company—is behind the rise.

The trust department of a big New York bank made its first stock purchases of the year this week. It reasons that, though the market may go somewhat lower, many stocks are in a buying range.

In the Markets



Stocks Try Out Their Strength But Find Muscles Are Flabby

Stock prices put on this week their first sustained show of strength since the first of the year—but it was a pretty feeble effort. As the chart shows, the Dow-Jones industrial index moved from the 610-615 range to 625-630, a modest rally considering the extremely sharp drop over the past two months.

Most analysts seemed to feel that the market might resume its slide before taking a decisive turn for the better. They termed the upswing a technical one—overdue after so long a downturn.

There has been some revival of buying interest on the part of institutions, particularly mutual funds and bank-managed trust funds. They now feel that a great many stocks are cheaply priced, particularly in terms of the long pull. However, there is a considerable division of opinion over just what stocks look good right now; some institutions think oils, chemicals, and steels are cheap; others want to continue selling steels to pick up drugs and utilities.

Many feel that a definite trend won't develop until the business outlook becomes clearer this spring. It may well be that the combination of rising sales and good first-quarter earnings will spark a more convincing upturn.

Extended Bond Rally Fades Away, But Traders See No Dive Coming

The January rally in the bond market—which lasted well into February this year—seemed definitely over this

week. However, bond traders see no tailspin ahead. Competitive bidding for new gilt-edged bond issues, they say, is as keen as ever, even though several issues—priced slightly "off the market"—have been selling more slowly than expected.

To support their cautious optimism, bond men cite the fact that high yields on top-grade corporate (5%) and tax-exempt municipal (3.5%) obligations are still attracting institutional buying. They are also counting on a relatively slow buildup of corporate financing.

New Twist in Mutual Funds— Group Fund for Union Members

A new type of mutual fund is being launched in Washington this week—a fund set up exclusively for the members of the union of Engineers & Scientists of America. The fund, called ESA, is managed by American Diversified Securities, a District of Columbia brokerage house. Sidney Haddad, president of American Diversified, says the ESA Fund "is only the forerunner of our plans in the group mutual field."

Haddad adds that his firm is negotiating with a half-dozen other unions and professional associations for similar fund operations. "We feel this approach opens up new possibilities for many groups that do not have formal programs for retirement and savings," he says.

ESA has an enrolled membership of 30,000, and with allied groups, the total prospective fund membership comes to about 50,000. ADS plans to use a "mass sell" technique in lining up fund members and will solicit business at union meetings.

Perennial Battling Stockholders Give Box Score on Year's Campaign

Lewis and John Gilbert, self-proclaimed champions of stockholders' rights, came out with their 20th annual report this week. As one New York newspaper man summed it up, "If a man will suffer the charge of being a public nuisance long enough, he may end up recognized as a valuable citizen." Certainly, the Gilberts could chalk up a number of victories this year.

For example, they point out that John G. Sobieski, California's commissioner of corporations, gave new support to cumulative voting—a pet cause of the Gilberts. (Cumulative voting is mandatory for all companies incorporated in California, as well as in 22 other states.)

The Gilberts also won new corporate support in their perennial appeal for greater stockholder comfort at annual meetings, for better locations for such meetings, and for more regional meetings. Executive compensation also came in for more scrutiny in 1959, but the Gilberts warn against a trend toward the granting of "dividend units" (BW–Sep.26'59,p33).

A number of companies, the Gilberts note with pride, also adopted a pre-emptive rights policy on new financing, providing for shareholders' rights to purchase new securities before outsiders. But just as many voted to eliminate pre-emptive rights.

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NATIONAL STEEL

The tin can has been serving man better every day for 150 years. With good nourishing things like fruits, meats, fish, vegetables and beverages. With useful things like floor wax, lubricating oils, cleansers, paints and polishes. With helpful things like adhesive tape, insecticides, shaving lather and hair spray. With soothing things like aspirin and tobacco.

More than 2,500 products come to us in this convenient unbreakable container made of tin plate (which is actually about 99% steel). And the count mounts all the time as can manufacturers and canners seek new and better ways to get more and more mileage from its unmatched protection and portability.

Recent advances foretell the coming trend-

the soft drink can resisting 90 pounds of pressure per square inch, the whooshing aerosol, the citrus, berry and frozen concentrate cans capturing formerly elusive flavors.

The work and research of National Steel also play an active part in broadening the scope of the tin can. Over the past fifty years—the most eventful fifty years in the tin can's history—National Steel's Weirton Steel division has become one of the world's largest producers of tin plate.

Supplying the canning and packaging industries to help make the 40 to 50 billion cans produced each year, National Steel keeps on improving this multi-purpose metal that does us a world of good every day.





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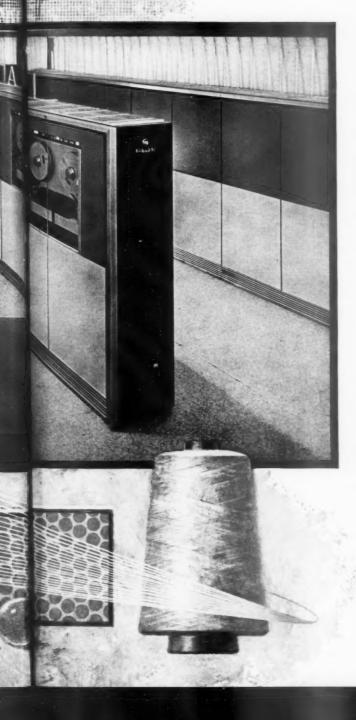
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NATIONAL STEEL CORPORATION, GRANT BUILDING, PITTSBURGH, PA. Major divisions: Great Lakes Steel Corporation • Weirlon Steel Company Midwest Steel Corporation • Stran-Steel Corporation • Enamelstrip Corporation • The Hanna Furnace Corporation • National Steel Products Company

FICA 501 handle lightning speet



customer orders with for Owens-Corning



RCA 501 Electronic Data Processing System coupled with a 12,850 mile wire network, trime days off customers' order cycle, gains unlimited access to sales, inventory and production data flowing between nine plants and thirty-six offices

Owens-Corning Fiberglas Corporation, whose glas fibers are used in more than 30,000 products and exceed \$200 million in sales, has found the solution to its over whelming paperwork problem . . . electronics by RCA

The RCA 501 provides the efficiency and speed in both sorting and file updating necessary to cope with the Owens-Corning's complex data processing problem Receiving information from sales offices and plants, the 501 System will process orders, do invoicing, inventory control, sales analysis, and will later handle production control. Owens-Corning officers liked its "work horse' capacity, as well as its lightning speed.

Designed for today's needs, tomorrow's growth, the compact all-transistor 501 features easy expansibility. The "building block" concept enabled Owens-Corning to start with a basic system which can be economically expanded as the workload increases, simply by adding units.

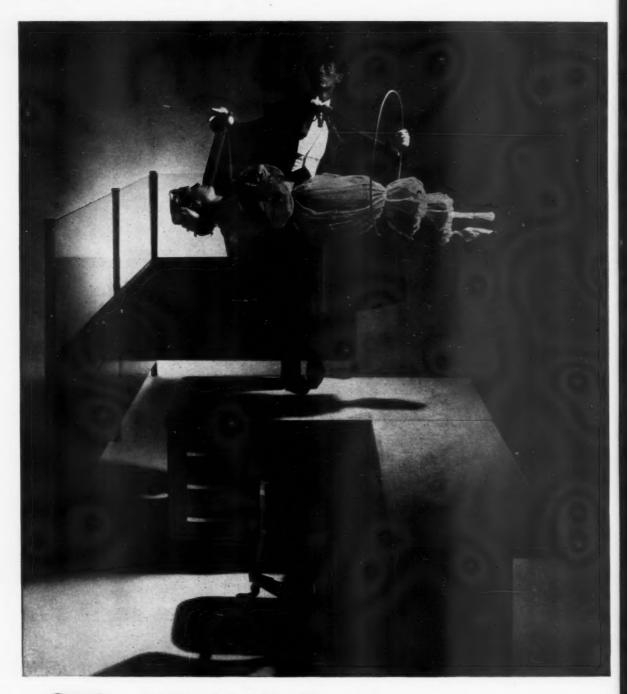
Built into all RCA Electronic Data Processing Systems are new standards of speed and capacity, flexibility and versatility, and—most important of all—lowest cost per unit of work. RCA EDP users in business, industry, and government also have at their disposal data processing's most comprehensive customer assistance program. Included are executive orientation, systems planning, personnel training, site planning, programming assistance, and maintenance service, to mention only a few of the many available services. This integrated Customer Assistance Program is as important as the 501 design itself in making the RCA 501 a remarkably business oriented system.

For further information write to:



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PERSONAL BUSINESS

BUSINESS WEEK FEB. 27, 1960



Providing for the future of children by giving them securities—especially common stocks—has become a fast-growing practice in recent years.

No doubt this has been a topic you've discussed with friends, from time to time—and probably you've been well aware of two prime advantages:

- (1) Built-in inflation protection for the child's benefit.
- (2) Income tax savings, affecting the whole family.

But what you may not be "up" on is the question of selecting the easiest and most advantageous method for carrying out such a plan.

A "custodian account"—recently made available under the laws of all 50 states—may be your answer. A few years ago, the formal trust was about the only practical way to set up such a stock plan for a child. But this meant the selection and appointment of a trustee, the expense and bother of drafting formal trust agreements, and the costs of periodic accountings, and so on. Today, all states offer the simple "custodian" method as an alternative. (Note: You still may want a trust, especially where you need the services of a professional trustee; or where you want the arrangement to extend beyond your own lifetime.)

Take a look at the advantages offered by a custodian account.

First, the mechanics are quite simple. Opening a stock account for your child takes only a few minutes in your broker's office. You just register the stocks in your own name "as custodian for the benefit of . . .," your child. Generally, as custodian, you can sell the stocks, reinvest the proceeds, and reinvest the income, year to year. There are a few limitations under the law—for example, the custodian can't legally use the child's money to buy stocks on margin. But these restrictions are not usually too burdensome.

There are two basic custodian-account laws in effect today, the Model Act and the Uniform Act, with some fairly important differences. For instance, under Model, you, as donor, can appoint only yourself or a member of your family to serve as custodian; but under Uniform, you also have the right to appoint any outsider, including a bank or trust company.

Uniform is the more general law, and applies in most places; Model is limited to Alabama, Colorado, Georgia, New Jersey, Ohio, Rhode Island, South Carolina, and the District of Columbia.

Now, consider tax breaks. First, all states get the same treatment from the Internal Revenue Service in Washington, regardless of differences in state laws. And here is the prime tax advantage: As long as you use your own money, and not custodian-account money, to support the child (this being your legal obligation), the annual income from the custodian account is taxed to the child. That is, he files his own return each April, and pays tax in his own bracket.

This may mean a very low tax—or none at all. Allowing for exemptions and exclusions, this is true: Where the custodian account is made up of stocks in U. S. corporations, no federal income tax is due on the first \$725 of income (assuming, obviously, that the child has no other income). After that, the lowest rates would apply (20% up to \$2,000).

Another plus is the fact that even though you may serve as custodian of a large income-producing account, in your child's name, you still retain your \$600 tax exemption for the child—as long as he's under 19, or remains a full-time student.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK FEB. 27, 1960

The windup: When your child reaches age 21, the property in the custodian account is turned over to him, and no formal accounting is required.

When you discuss this idea with your personal adviser, consider the possibility of gift taxes (BW—Aug.15'59,p125)—though in most cases, a bit of planning can avoid this drawback.

If you've had to shuttle between metropolitan New York's Idlewild, Newark, and LaGuardia airports, you probably found that a helicopter trip is faster and, perhaps, cheaper. It also gives you a spectacular view of Manhattan.

However, you may not know that under certain circumstances—mainly if you're shuttling between airports to pick up another plane—'copter flight is free or at reduced fare. New York Airways, whose whirlybirds serve the three airports, has agreements with 21 lines that provide free lifts if you have to change airports to catch an international flight or a plane for a distant domestic point.

For example, if you fly into Newark, then have to go to Idlewild to pick up a Pan Am flight to Paris, there's no charge for your 'copter ride. Or, if you fly into LaGuardia from Boston and have to catch a Braniff jet flight to Dallas leaving from Idlewild, you pay no fare.

Helicopter service between Newark and Idlewild takes up to 35 min. (with stops at 30th St., Manhattan, and LaGuardia) and costs \$9.50. The 20-min. Newark-LaGuardia flight also costs \$9.50, and the LaGuardia-Idlewild 9-min. flight, \$4.50. Check with the airline ticket agents to see whether you are entitled to the flights at free or reduced fares.

Incidentally, if you like whirlybirds, Atlanta and St. Louis last week joined the small group of major cities (New York, Chicago, Los Angeles) offering regular helicopter service from airport to downtown. Atlanta's Helicopter Airways and Mississippi Valley Helicopters of St. Louis will use four-passenger Bell models.

Gifts to hospitals. Now you'll be able to give securities to non-profit hospitals under a tax-free arrangement similar to the Treasury-approved plan for colleges (BW—Nov.21'59,p173).

Upon receipt of your gift of securities, the hospital sells them and reinvests the financial yield in tax-exempt municipal bonds. The tax-free income from the bonds is paid to you throughout your life and the life of a designated survivor. It need not be reported as income.

Potpourri: The first "direct-view" battery-operated portable television set (61-sq.-in. picture) will be marketed in April by Emerson; it has a conventional viewing screen, instead of a tiny image plus magnifying glass, as in earlier portables (\$250) . . . Treasury's announcement that Series H bonds totaling \$41-million were exchanged for E bonds during January, first month of the new regulation, is a reminder if you've been considering such a move (BW—Jan.16'60,p118) . . . Another reminder: If you want to have additional amounts withheld for tax purposes from your salary checks, IRS calls attention to the fact that you can enter into a written agreement with your employer.







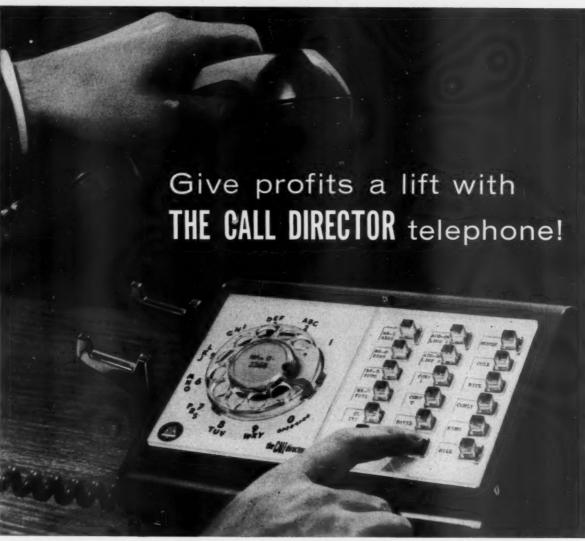
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- You can set up a telephone conference with as many as six people at

the touch of a button. Several different conference groups can be arranged. No need to reserve meeting rooms. No lost time in corridors and elevators. You get down to business fast by phone, right at your desk.

 You can have as many as 29 outside, extension or intercom lines at your fingertips all the time. You get more done, because you don't have to leave your office so often.

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Learn how the new Call Director telephone with Bell System intercom can be tailored to your firm's exact needs and improve its profit picture. Just call your Bell Telephone business office, and a Bell representative will bring you the whole story. No obligation.



This six-button telephone also offers a range of flexible intercom features.

BELL TELEPHONE SYSTEM



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Riding the Electronics Boom

Motorola has expanded from its auto and home radio and TV business into the sophisticated —and profitable—gadgetry of the electronics age.

Forty-two years ago, Daniel E. Noble (cover and right) showed up in Prescott, Ariz., for a job as professional hunter of covotes and wildcats. He was a weak-eved Connecticut tenderfoot, but his family doctor had advised him to get away from books and build himself up physically. He tackled the job with an enthusiasm that must have astounded the Arizona cowpokes. "They even let me bust brones," he recalls happily.

Noble's career as a hunter was short, and it had little to do with bringing him to his present job—as executive vice-president of Motorola, Inc., in charge of the Communications, Military Electronics, and Semiconductor Divisions. But the outdoor stint did make him love Arizona, and that affection had a great deal to do with bringing Motorola

to Phoenix.

On Noble's recommendation, the company set up a small research and development group in the Arizona capital in 1949. It added a large manufacturing facility for transistors and other semiconductor devices in 1955, and in 1956 it established a new headquarters and plant for its growing Military Electronics Div. Noble himself now has his home office in Phoenix.

• Persuasive Climate—Noble had good reasons for the move. "I wanted a location that would help attract good men, primarily," he says. Phoenix offers good weather, with lots of sunshine, and year-round outdoor activities. Partly because of these inducements, Noble has found it possible to assemble brain-power to work in the areas of electronics that he thinks most promising for Motorola's growth.

I. Entry Into Electronics

Motorola is most commonly associated with auto and home radios and television sets for the individual consumer. Indeed, it's in the thick of this highly competitive business, and sales in this category yielded about half of the company's 1959 sales of \$280-million (though perhaps a slightly lower proportion of its \$14-million net after taxes). Motorola is the largest independent manufacturer of auto radios. This year it's supplying all the radios for the Falcon, Valiant, and Rambler,



DANIEL NOBLE, executive V-P (left), meets his Phoenix managers: William S. Wheeler, William H. Welch, C. Lester Hogan, Joseph A. Chambers.

in addition to other original equipment business for the auto makers.

But in the last few years Motorola has moved quietly and decisively into leadership in selected areas of commercial electronics—where profit margins are much fatter. These fields are Dan Nobel's prime hunting grounds. The emphasis is on developing new products and technologies, and Noble has been canny about spotting a promising trail: At times in the last 15 years, communications equipment coming out of his divisions has been the principal factor in keeping Motorola well in the black.

• Much Autonomy—It might seem to outsiders that Noble has a remarkable amount of autonomy in running his divisions. But that's the way Motorola operates. Under young Robert Galvin, president, Motorola is divided in three parts, each under an executive vice-president. Noble's divisions emphasize highly technical electronics. Consumer products, under Edward R. Taylor, has totally different sales and production problems, as does automotive products, under the wing of Elmer H. Wavering. The three executive vice-presidents are also members of the board, which, with

one exception, is made up of the corporation's officers.

The company's stock is relatively narrowly held; key executives and their families own about 35%. Galvin works closely with his board, and though he is not directly concerned with operations of the divisions, he sets corporate policy. · Early Sportscast-Noble's interest in electronics-and its commercial aspects -dates back to the pioneering days of radio. Shortly after he returned from hunting covotes to continue his education in electrical engineering, Noble set up a radio receiver in the Naugatuck, Conn., Town Hall and sold tickets for 25¢ a head to hear one of the first sportscasts-the Dempsey-Carpentier fight. "The static was awful, but the customers didn't complain," he says. Static bothered Noble. Like many

Static bothered Noble. Like many other engineers, he was constantly hunting ways to get rid of it. He did graduate work at Harvard and Massachusetts Institute of Technology. While teaching at the University of Connecticut, he was involved in early work on frequency modulation broadcasting. Then he became a consultant to station WRDC in Meriden, Conn., and set up the Meriden Mountain FM sta-



CLOSED-CIRCUIT TV attached to microscope in foreground magnifies the active part of a transistor more than 2,000 times. Workers discuss welding technique.

Transistors another

(Story starts on page 137)

tion in 1936. Later, the Connecticut State Police asked him to design a statewide communications system.

• Two-Way Calls—The police radio turned out to be Noble's turning point. Until that time, police radio operators could talk to squad cars, but patrolmen had to report by telephone. Noble proposed to build a static-free FM system with two-way communication. His Connecticut installation was a resounding success, and it later led to adoption of FM by police systems all over the

Meanwhile, Motorola—then the Galvin Mfg. Co.—had been trying on a small scale to develop two-way commercial radio systems as an outgrowth of its auto radio business. It was then a small company that had pioneered auto radios and added home radios to its line. But regular AM equipment wasn't satisfactory for a two-way setup. So Paul Galvin, then Motorola's president, sent a representative to see Noble at the University of Connecticut. The visitor came away impressed with Noble and his ideas—and in 1940 Galvin hired Noble as director of research.

• Capturing the Business—"When we started out in the mobile communications field," says Noble, "we decided to build the best equipment we could possibly make without attempting to compete in price with cheaper units. So we never sold packages—we sold complete systems, dealing directly with the customer and engineering the system to his requirements. As a result, we captured and held the market and have better than 50% of it today."

Today, the mobile radio business is big and growing faster than ever. In 1959 the industry sold systems worth more than \$100-million to taxicab operators, police and fire departments, bus companies, truck lines, and others. • Finding a Market-It wasn't simple to launch the business though. Sales and service problems were entirely different from those in entertainment and auto radio marketing, where Motorola had its previous experience. A field force of technically competent sales engineers, now numbering 500, had to be set up. Service representatives had to be trained to handle the mobile units.

Besides, in the early days, there were few customers for mobile radio except police departments and a few adventurous taxi companies. "It took us about 10 years to develop the market," says Noble. "Now no utility would dream of operating without mobile radio communications for its crews."

• Comes the Competition-When the market was developed, GE and others

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ther Components Bring Motorola New Revenue

offered plenty of competition. Another threat came from the common carriers -the telephone companies-who saw a rich source of revenue in mobile radiotelephones. They constantly tried to acquire larger and larger portions of the radio spectrum for their own use-which would leave less and less for private opcrators and also took over private systems on a lease-back arrangement-a practice that they are no longer permitted to follow as a result of a 1956 antitrust consent decree. The Federal Communications Commission allocates frequencies, after listening to testimony, but Motorola and other makers of mobile radio gear are in a ticklish spot when it comes to testifying, since they supply equipment to both telephone companies and private operators.

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Noble and Galvin have consistently maintained that users of the spectrum should have freedom of choice between common carrier and private operation. FCC has come to a similar conclusion.

· Microwave Systems-Mobile radio's success led Motorola into a closely related field-point-to-point microwave systems to transmit information. Some of these have hundreds of voice channels and can handle television and data processing information as well. The multi-channel systems are considerably

cheaper to use than leased telephone circuits of the same capacity. Motorola claims to have installed more microwave setups than any but the largest common carriers. Its systems, operating in every state in the union, range from one-mile studio-to-transmitter TV relays to thousand-mile layouts for oil and gas pipeline companies.

Like private mobile radio, private microwave is growing slowly but steadily. FCC regulations have prevented many types of users from going on the air with their own systems. However, it is liberalizing the rules.

II. Finding New Frontiers

With both mobile radio and microwave running smoothly and profitably under Arthur Reese, vice-president of Motorola's Communications Div., Noble out in Phoenix has been concentrating on developing other new areas for expansion. In his opinion, the work most important for future growth is in semiconductors-materials used in electronic devices such as transistors to switch and amplify electricity-and in solid state circuits, which are modules that reduce the number of interconnections between circuit components.

This activity is also Motorola's most



INDUSTRIAL ALLOY transistors are assembled under magnifying glass. Motorola now makes many of its own components.

ATMOSPHERE is controlled for welding the cases of mesa transistors intended for use in critical missile controls.

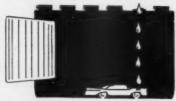


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radical departure from tradition. Before, it always bought all its components from outside suppliers, but now it is making many components of its owntransistors, which control and amplify an electrical signal; diodes, and low-power

• Flush of Success-The move has so far been quite successful. "We began to work on transistor circuits as soon as the first practical devices were available," says Noble. "It was quite evident that these solid state components would improve the performance and utility of our equipment and lead to many new communications products." Motorola's engineers devised production models of transistorized auto radios and transistorized mobile gear.

But from outside sources the company couldn't get power transistors to stand up to its power and temperature standards. So it decided to make its own. Noble contends that Motorola was first to turn out a germanium power transistor that filled its requirements.

Noble had two main reasons for going into component making. First, the move gave Motorola complete control of the quality and reliability of its products. "If you have to depend on tubes designed primarily for mass production and use in entertainment devices, you run right up against a limit," he says. "Special tubes are available, but they are frightfully expensive." Second, it was obvious that semiconductors and solid state circuits would be crucial in the future of electronics-and Motorola would be in on the business almost from the start.

· No Captive Plant-Motorola opened its semiconductor plant in 1955. For the first few years, the company absorbed most of its own production-and led many in the electronics industry to believe that it had merely set up a captive plant. But outside sales now take a big share of output, and the product line is broad. The Semiconductor Div. produces, besides power

· High-frequency, high-reliability switching and amplifying transistors of the mesa type-so called because of a mesa-like pattern formed in its internal structure.

· Voltage regulator diodes in thou-

sands of types.

· Industrial transistors, power rectifiers, diodes, and the silicon rectifiers that are used in the new alternating current generators of Chrysler's Valiant.

In addition, the division will soon be turning out high-frequency medium-

silicon transistors.

· Kindred Divisions-The division, headed by C. Lester Hogan, has grown fast. It moved into a new 129,000 sq. ft. plant last June and has already filled it with more than 1,000 employees. The company plans to enlarge the facility by 100,000 to 200,000 sq. ft. at a cost of \$3-million over the next 18 months.

The Semiconductor Div. fits in neatly with Motorola's Western Area Military Electronics Center, which is working mostly on classified projects for planes and missiles. Under Vice-Pres. W. S. Wheeler, the Military Electronics Division has facilities in Phoenix, Chicago (the company's headquarters), and Riverside, Calif. With the Semiconductor Div. it shares in the work of the new Solid State Electronics Dept., now the focus on most advanced R&D at Motorola. It is concentrating on new microelectronic techniques.

• Federal Dollars-Motorola's government business amounts to about 20% of total sales-which Noble and Galvin consider a good proportion. In much of the military work, about two-thirds of the employees work on development, design, and engineering, and only about one-third on production. This ties a lot of money up in equipment and salaries for highly skilled engineering manpower. But military projects keep the company posted on the state of the art and permit it to build a strong base of engineering talent.

III. Ways to Grow

Motorola's increasing skill with semiconductors and the rich harvest it expects from solid state research have encouraged it to broaden product lines in high-quality electronic gear. According to Pres. Robert W. Galvin, the company plans to expand both by creating new product lines of its own and by acquiring logical outside activities. One example of the latter was Motorola's acquisition of the Lear Cal Div. of Lear, Inc., which makes radio equipment for commercial and private aircraft. In another such move, Motorola picked up the Dahlberg Co., a manufacturer of hospital communications equipment and hearing aids.

• Small Products, Big Markets-Most of Motorola's commercial markets seem to grow bigger and bigger as its products get smaller and smaller. The company has already converted its mobile radio receivers and parts of its transmitters from tubes to transistors, to reduce power drain and size considerably. Its original back-pack walkie-talkie of wartime fame has shrunk to a handletalkie. New products include a reliable two-way radio hardly bigger than a pack of cigarettes, for policemen on foot.

Noble envisions the solid state research as leading to bigger products as well. He thinks that some of the rockets so far built have failed because they are too complex and unreliable-"hardware spectaculars," he calls them. Solid state work may produce the reliability rocket systems must have, he believes.

He has selected a number of areas

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She's sold!

...and cellophane's <u>design</u> <u>versatility</u> made the sale more profitable

Can you name any other packaging material that offers you as many advantages as cellophane?

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Take its design versatility, for example. Because it's flexible, cellophane can be used for a broad range of package constructions and designs. Its smooth, sparkling surface takes beautiful multi-color, high-speed printing. And you get just the right protection you want for your product—because there are over 100 varieties of Du Pont cellophane "tailored" to individual product needs.

This means you get the package that's right for your product...economically. The result: cost per sale goes down...profit per sale goes up.

Add the proven sales power of Du Pont cellophane's pure transparency, its unbeatable efficiency and economy on high-speed machinery—and you have still more profitable reasons for choosing cellophane.

ADuPontrepresentative can show you how to prove to yourself that cellophane can help "buy your market" at lowest cost. Call him today. E. I. du Pont de Nemours & Co. (Inc.), Film Dept., Wilmington 98, Del.



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Frick heavy-duty compressors are the standard of the world for industrial work. Ask for Bulletin 112.

No name among American makers of cooling equipment stands higher or has endured longer than that of Frick.

Back of the Frick trademark are 107 years of experience in engineering, 78 in refrigeration and ice making, and 55 in air conditioning. You get the value of this priceless experience when you invest in dependable Frick equipment.

Write, wire or phone now for catalogs and estimates.

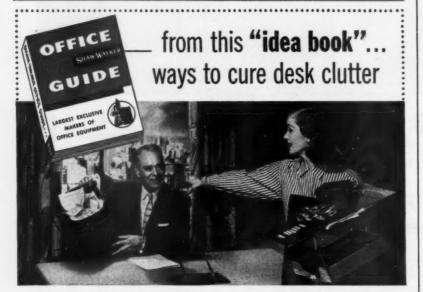




These Frick evaporative condensers are saving \$1,000 per month. See Bulletin 235.



Frick "Eclipse" compressors have 2, 3, 4, 6 or 9 cylinders, offer speeds up to 1200 r.p.m. See Bul 100.



Shaw-Walker research has now produced the unbelievable—a desk that eliminates top clutter and drawer hodgepodge. How it's done is just one of the many time-saving, spacesaving ideas you'll find in the new 248-page Shaw-Walker Office Guide.

It also pictures, describes and prices 5000 items—Correct seating chairs; Filing cabinets in 347 styles

and models; Fireproof files; Filing systems; Automation accessories; Desks in 139 styles and models.

FREE to office and purchasing executives: Request on business letterhead or phone your Shaw-Walker representative.

SHAW-WALKER MUSKEGON 35, MICHIGAN



MOBILE RADIOS are manufactured in Chicago under Arthur L. Reese (right), who heads the company's Communications Div.

that should lead to the growth he anticipates for Motorola. The list:

 Semiconductors, including adding new components and improving the reliability of existing items.

 Surface passivation techniques, designed to insulate semiconductors and other surface elements from the effects of environment and aging.

Electrical ceramics for high-frequency solid state devices and solid circuit base materials.

 Thin films for solid state circuit elements such as resistors and capacitors.

• Many-Faceted Man—To keep Motorola expanding, Noble will have to continue adding good people. "If you get a good man, he attracts others," says Noble. He himself is a prime drawing card. Says Pres. Galvin: "Dan Noble is a well-balanced and cultured man who is creative in the sense of offering new ideas and who can be approached in a broad range of scientific subjects."

When he isn't focusing on some aspect of Motorola business, he may be dabbling in any one of the dozen or more subjects on which he is well informed—among them art, music, and archeology. He writes long, philosophical editorials for company house organs and other publications "because I like to write." He's a fairly accomplished amateur sculptor, and he has had the wall behind his desk covered with canvas, on which he intends to paint a mural "if I ever get the model to the point I'm satisfied with it"

Finding time for all this—and for managing scientists, too—has meant giving up a few things: drinking, smoking, certain foods, and golf. He says he disposed of the first three because he doesn't like anything that makes him feel mentally fuzzy, the last because "not enough happens." END

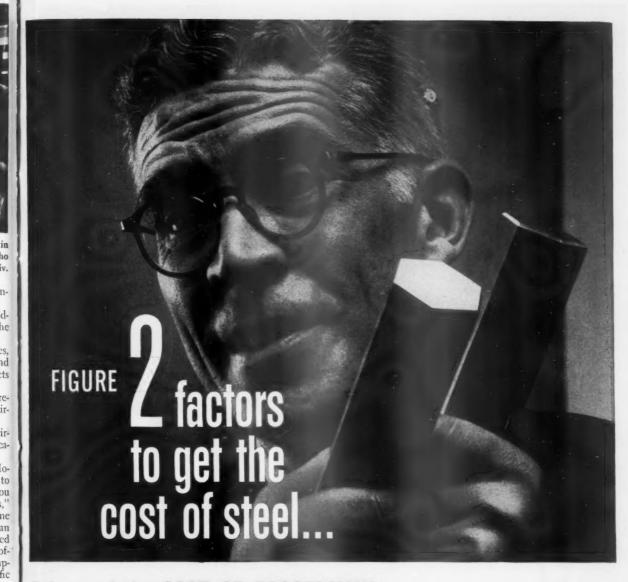
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Many smart, informed steel users save money by drawing on the inventory and facilities of their Steel Service Centers. They get technical assistance. And they get steel when they want it, delivered, cut-to-size, ready for production.

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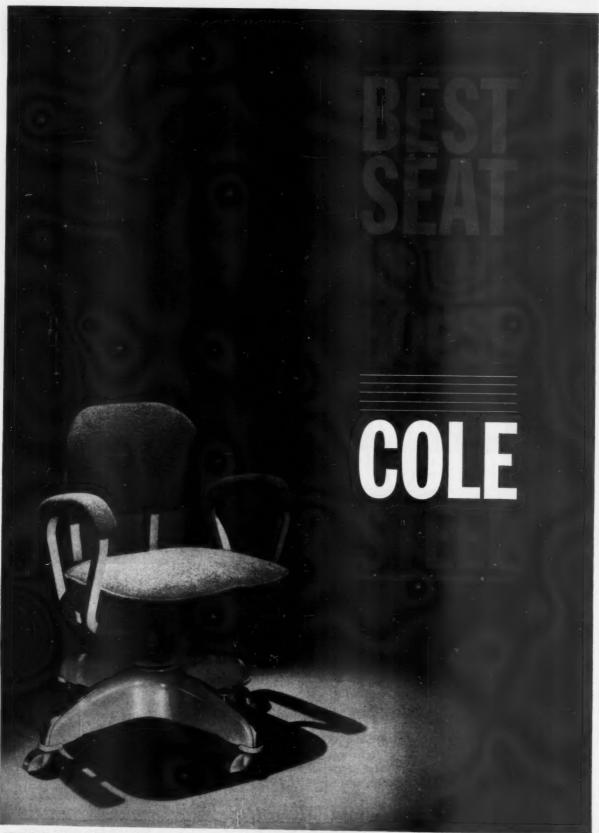
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BUSINESS Y

In Production

Supersized Rail Tank Cars Planned; Big Plastic Cargo Container Tested

Union Tank Car Co. will build two new supersized tank cars for Tuloma Gas Products Corp. of Tulsa. The new cars, which will be 85 ft. long and have a capacity of 30,000 gal., are particularly adaptable for transporting such lightweight products as liquefied petroleum gas. Their use should make a substantial dent in hauling and erminal costs. The new tank cars are about three times as large as a standard railroad tank car and about one and a half times as big as the jumbo tank cars that touched off a trend to larger tank cars when they first appeared sev-

In another transportation development, Union Carbide A stics Co. has announced it is testing a van-sized plastic cargo container for transporting bulk commodities. The 24-ft. long by 8-ft. high container is constructed of epoxy glass fiber reinforced plastic and can be transported by railroad flatcar, flat-bed trailer, or stacked aboard a ship. Union Carbide says the container weighs one-fourth less than a comparable aluminum one and is exceptionally resistant to abrasion and chemical and salt corrosion.

Esso Research Develops Plastic Pipe For Use in Oil and Gas Fields

One answer to the oil industry's high corrosion costs may be a new plastic pipe Esso Research & Engineering is developing. Standard Oil of New Jersey, Esso Research's parent, estimates its operating affiliates spend \$12-million annually combatting it.

Designed for use in the oil fields to gather oil and gas from the wells, the new pipe is made of a synthetic rubber and polyvinyl chloride plastic (PVC) reinforced with glass fiber. The oil, chemical, and corrosion-resistant pipe is capable of withstanding gasoline flames, —40F cold, and 300F heat.

The new pipe itself is more expensive than steel pipe, company officials admit. But the cheaper installation and maintenance costs of the lightweight plastic pipe should give it an excellent chance of being competitive with steel pipe.

Canada Reports Vast Asbestos Find In Region Near Arctic Circle

A vast asbestos find in northern Quebec near the Arctic Circle has been disclosed by Canadian officials. Preliminary exploration indicates the new reserves may encompass more than 7-million tons of the mineral fiber. The quality of the asbestos is reportedly comparable to that mined in southern Quebec, which produces about 70% of the free world supply. The area in which the find was made, the Ungava Peninsula of upper Quebec Province near to the uppermost reaches of Hudson Bay, has also figured prominently in the news because of vast reserves of copper, nickel, and iron ore uncovered there recently.

Officials of Quebec Province's Bureau of Mines state that reserves of 9-million tons would justify going ahead with the production planning for a 4,000-ton-a-day mining and processing operation. Because of the rigors of the climate, the operating year probably would consist

of only 300 days.

To get such a plant operating would be no simple job. Lake Asbestos, an industry newcomer (BW-Jun.8'57, p189), is expected to start showing a profit this year. It took six years, \$37-million, and a draining of a two-mile long lake to reach this point. Lake Asbestos, a fully owned subsidiary of American Smelting & Refining Co., has found the asbestos market hard to break into. Anybody seeking to develop the far north deposits could expect an even more difficult time-unless the demand for asbestos climbs markedly.

Production Briefs

Allis-Chalmers Mfg. Co. will start construction immediately on a multimillion-dollar engine plant, to be located at its Harvey (Ill.) works. The new plant will enable the heavy equipment maker to broaden the lines of diesel, natural gas, butane, and gasoline engines now being incorporated into its own equipment. Allis-Chalmers also hopes to win a larger share of the market for engines in the marine, oil, construction, and logging fields.

A high-voltage transmission tower of European design has been developed by Aluminum Co. of Canada, Ltd., for the American market. Unlike standard U.S. freestanding transmission towers, the V-shaped aluminum tower stands on one leg and uses guy wires to give it lateral support. The 96-ft. high, 345-kv. tower uses about 2,700 lb. of aluminum. A comparable steel tower would use 7,500 lb., and a conventional rigid steel tower, 15,000 lb. The aluminum tower is also easier to transport and erect than conventional towers.

The gas turbine engine is scheduled to undergo some rugged testing when it starts hauling ore in the open pit mine operated by International Nickel Co. of Canada in the Sudbury district of Ontario. The 225-hp. engine, manufactured by the Allison Div. of General Motors Corp., will power an ore truck assigned to hauling 32-ton loads up 8% grades from the floor of the mining pit to the crusher house. The Allison engine also will get an additional tryout soon in a highway tractor, a 28-ft. personnel boat, an earthmoving tractor, plus several military applications.

Reynolds Metals Co. is constructing a \$750,000 container development plant near Richmond. The 20,000sq.-ft. plant will be used to help Reynolds acquire the production knowhow needed to speed the development of new and less expensive kinds of aluminum cans and semi-rigid foil containers.

Missiles Industry Carries Utal

MEASURE OF PERSONAL INCOME

			of Dollars		
	1953-55	DECEMBER	easonally Adjus	DECEMBER	% CHANGE VS.
STATE	AVERAGE	1958	1959	1959	YR. AGO
Alabama	\$286.4	\$358.1	\$350.3	\$374.8	+ 4.7%
Alaska	41.9	52.3	58.1	60.1	+14.9
Arizona	126.9	184.4	202.3	193.9	+ 5.2
Arkansas	153.5	173.0	171.6	175.4	+ 1.4
California	2,341.7	3,164.9	3,404.5	3,463.3	+ 9.4
	217.2	300.5	312.1	322.0	+ 7.2
Connecticut	440.7	541.6	585.6	579.1	+ 6.9
Delaware	78.6	107.8	113.4	118.0	+10.2
District of Columbia	158.2	187.0	191.7	194.5	+ 4.0
Florida	456.8	718.5	827.4	837.1	+ 16.5
				WHEN STREET	1 0 0
Georgia	383.2	474.0	485.9	487.3	+ 2.8
Hawaii	76.0	100.9	108.3	111.0	+ 3.1
Idaho	74.5	92.2	90.9	95.1 2,155.9	+ 6.3
Illinois	1,677.5	2,027.7	2,144.0 811.4	829.4	+ 5.7
Indiana	663.5	785.0		ACCRECATION OF THE PERSON	
lowa	357.3	463.5	445.1	462.0	- 0.3
Kansas	281.8	355.3	340.1	356.5	+ 0.3
Kentucky	307.1	362.6	370.6	362.7	+ 0.03
Louisiana	318.3	391.4	398.3	401.5	+ 2.6
Maine	112.8	134.1	140.9	140.8	+ 5.0
Maryland	432.3	566.3	567.3	578.4	+ 2.1
Massachusetts	799.8	962.4	1,023.0	1,021.4	+ 6.1
Michigan	1,234.1	1,411.6	1,471.7	1,488.9	+ 5.5
Minnesota	434.8	544.5	565.8	578.3	+ 6.2
Mississippi	160.9	177.3	173.6	184.9	+ 4.3
Missouri	600.9	742.3	761.6	771.0	+ 3.9
Montana	92.3	114.6	99.3	100.7	- 12.1
Nebraska	182.5	239.0	235.6	248.6	+ 4.0
Nevada	43.1	59.5	64.1	65.0	+ 9.2
New Hampshire	75.2	91.1	95.7	96.4	+ 5.8
New Jersey	982.9	1,248.9	1,313.3	1,331.3	+ 6.6
New Mexico	91.8	131.4	126.8	128.2	- 2.4
New York	2,887.9	3,553.0	3,647.1	3,681,0	+ 3.6
North Carolina	429.0	525.4	523.6	553.7	+ 5.3
North Dakota	67.4	96.0	78.7	79.8	-16.9
Ohio	1,476.3	1,750.9	1.848.2	1,884.5	+ 7.6
Oklahoma	268.5	322.8	328.9	337.9	+ 4.7
Oregon	249.8	302.6	314.7	322.6	+ 6.6
Pennsylvania	1,678.6	2,012.6	1,986.0	2,051.0	+ 1.9
Rhode Island	129.9	141.7	152.7	153.5	+ 8.3
				White Street Street Street	
South Carolina	210.0	246.1	254.1	267.9	+ 8.9
South Dakota	73.7	99.1	92.0	93.1	- 6.1
Tennessee	345.9	407.4	433.8	427.1	+ 5.0
Texas	1,132.9	1,434.5	1,429.3	1,450.1	+ 1.1
Utah	98.1	131.0	125.0	133.0	+ 1.5
Vermont	45.9	55.0	58.1	57.8	+ 5.1
Virginia	383.3	559.1	564.3	569.3	+ 0.2
Washington		520.1	523.8	534.9	+ 2.8
West Virginia		249.8	255.0	252.5	+ 1.1
Wisconsin		655.2	672.1	681.0	+ 4.1
Wyoming		55.7	52.9	53.5	- 3.9
NATION	24 363 5	230 381 T	531 300 A	\$31,890.3	+ 5.0

Expanded work on Bomarc and Minuteman more than offset effects of long strikes in steel and copper—the state's previous kingpin industries.

For Utah, the puff of smoke in the picture has a profound economic significance. It's caused by the static testfiring of the Minuteman's first-stage engine, and is symbolic of the fact that during 1959 missiles became the state's largest manufacturing industry.

The ascent of any single industry is meaningful to any state-especially to one as sparsely settled and as lightly industrialized as Utah. But 1959 happened also to be the year when Utah's previous kingpin industries—steel and copper—were shut down by strikes.

Without missiles, these strikes might have put much of the state flat on its back. But the growth of missiles more than offset the strikes and helped to give Utah its biggest year. Today, the industry employs over 10,000 workersa gain of 5,000 during 1959.

According to Business WEEK's Measure of Personal Income, Utah's total income last year was almost \$1.6-billion, up 4.9% over 1958. The chart (page 148) shows how the strikes depressed the curve in 1959, but also how missiles prevented a deeper plunge.

· Why Utah?-The state-with its population concentrated in the Ogden-Salt Lake City-Provo belt-offers a number of attractions to the missile industry:

· It is far enough from the Pacific Coast to satisfy those who want dispersal of defense industry, yet close enough to the coast's missile complexes for easy commuting.

far enough from population centers to permit production and testing of explosive rocket fuels.

Land is cheap and abundant, and

Incomes Recouplost

In December, the nation had not vet fully recovered from the setback of the steel strike; incomes were still 1.1% below the all-time high reached last July when hardgoods industries were racing the strike deadline. But despite occasional steel shortages and the farm slump, the over-all picture continued to brighten. Total nonfarm jobs swelled by 1.6-million over last year; manufacturing employees (mostly in durables) increased 649,000 over the year and

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BUSINESS WEEK . Feb. 27, 1960

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· Local labor is highly educated, adaptable, and available.

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· The climate and cultural environment are attractive enough to lure workers from outside the state.

 There are good transportation facilities-air, road, and rail. It was at Promontory Point just west of Ogden that construction crews of the Union Pacific and Central Pacific joined the first transcontinental rail in 1869.

· Center-At the heart of the missile complex is Hill Air Force Base, near Ogden-headquarters of the nine-state Ogden Air Materiel Area. Among its several functions, OAMA is logistics support manager for the Bomarc and Minuteman missile programs-the "first boss" of the companies with Bomarc and Minuteman contracts.

• Early Settler-Of its neighbors, one company precedes Hill. Hercules Powder Co., which has the research and development contract for the Minuteman's third-stage engine and hopes to get the production contract, built a plant at Bacchus-southeast of Salt Lake City-in 1914, to manufacture dynamite for the copper miners.

When Hercules won the R&D contract for the Minuteman in 1958, it decided to do the work at Bacchus. Among other reasons, it already had buildings, owned over 1,000 acres on which it could expand and test, and had personnel trained to handle explosives. Hercules' third-stage engine uses a double-based propellant; one component is nitroglycerin, which it manufactures right there. Hercules employs 800 on missiles.

· Newcomer-In 1958, Thiokol Chemi-

"Most of Steel Strike Losses

152,000 from November to December, a time of year when they normally de-

Florida Leads Way-According to nusiness week's Measure of Personal Income, pocketbooks were 1.6% fatter in December than in November, and led 5% heavier than December, 1958. Twenty-two states exceeded and two states matched the national average in rearly improvements, while in many states incomes scaled new heights. Florida was out in front again with another impressive annual gain, 16.5%. December's record-breaking tourist traffic takes a big share of the credit.

On the darker side, incomes in six key farm states turned down-North Dakota, -16.9%; Montana, -12.1%; South Dakota, -6.1%; Wyoming, -3.9%; New Mexico, -2.4%; and Iowa, -0.3%. Substantial declines in livestock prices characterized the drops in Montana and Wyoming.

brought only \$11.20 per hundredweight in the yearend markets, a drop of \$6.30 from the price a year earlier. Cattle was down almost \$3; calves close to \$4. Thus farmers held back their stock in the hope of some price improvement. Crop income fell in North and South Dakota.

In 16 states the monthly improvement from November to December was better than the annual change, reflecting the pickup in durables.



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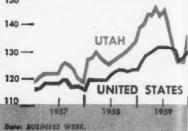
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1953-55 Average of Total Personal Income=100 150



cal Corp. won an R&D contract for the Minuteman's first-stage engine, and located 25 miles west of Brigham City, four miles from Promontory Point. Thiokol has 11,000 acres on which to test-fire the engine. The company won the production contract, last November, and is building a \$34-million plant. It expects to increase employment from 3,100 to nearly 5,000 in 18 months. Thiokol also is doing back-up work on the missile's second-stage engine, having lost the contract competition to Aerojet-General Corp. in Sacramento, Calif.

· Assembly Point-Utah's role in the important Minuteman program was strengthened last November. For at the same time Thiokol won the firststage production contract, the Air Force chose Hill Air Force Base as the site for assembling, repairing, and recycling the Minuteman. Boeing Airplane Co. will operate the \$11-million 800-man plant

now going up.

At the time the Air Force had contracted Boeing for assembly in 1958, it had left the assembly spot open. Hastings, Neb., for one, was very much in the running. But in the end, Utah's Hill base won out for at least three reasons: It is near the place where Thiokol will make the first-stage engine-the heaviest; it is an active base with a heavy-duty, long runway from which airplanes could carry the Minuteman aloft; and it is near bunkers where the missiles can be stored in safety.

· Diversifications-Important as the Minuteman is in the nation's missile arsenal-it will succeed the Atlas and Titan in 1963 as our big offensive "Did y three

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"Did you have to let three motors burn out?"

It seemed a simple way to save the cost of a contractor. Let the electrical maintenance crew put in the new power line ...

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But a well-run crew has a tight schedule as it is: power upkeep, signaling equipment, lighting—asking them to pinch hit on new work means something has to give. And when a few dirty motors burn out, what have you saved?

The irony is that it often costs less to give the job to a qualified contractor in the first place.

Electrical contractors have both specialists and special equipment for every job. Need a cable puller? Hydraulic bender? Rolling scaffolds? They have them.

A contractor can pin down costs in an estimate, save on purchases, and cut days and dollars for you just by getting the right materials to the job on time.

He's a veteran at every type of work you need and loses no time in trial and error. There's no patchwork, repairs, and repairs of repairs when a contractor does it.

And finally, a contractor can do what no maintenance man can do. He guarantees your work and often even the deadline for its completion.

After all, it's the result you're really interested in. Doesn't it just make sense to call in a pro—a qualified contractor?

NECA

National Electrical Contractors Association 610 Ring Building, Washington 6, D. C.





weapon-Utah has some diversification in its missile industry.

Near Ogden, Marquardt Corp. is turning out ramjet engines for the Bomarc. Marquardt began there in 1957, now employs 1,800. It test-fires engines on 1,900 acres the Air Force owns on the shore of Great Salt Lake.

Near Salt Lake City, Sperry Rand Corp. employs over 3,000 persons to manufacture Sergeant missiles for the Army. The company built there in 1956 after winning the contract to produce Sergeants. One important factor in its decision to be a serious factor. factor in its decision to locate there was that engineers were short and the company found it could tap the local supply-and hire former residents drawn by Mormon ties.

· Kingpins-Until missiles came along, steel was Utah's largest manufacturing industry. The Columbia-Geneva Div. industry. The Columbia-Geneva Div. of U.S. Steel Corp. had its Geneva Works at Provo, on Lake Utah. Geneva -one of the three large integrated steel plants in the West-was completed in 1944. U.S. Steel operated it for the government to supply California ship-yards. U. S. Steel bought the steel mill from the government in 1947, and has expanded its ingot capacity to 2.3-million tons. Ample supplies of ore, limestone, coking coal, and water have made Provo attractive to U. S. Steel, and Utah in turn has benefited by the number of metal fabricating plants the Geneva Works has spawned. Before World War II, copper domi-nated the Utah economy. And when

you said copper, you meant virtually one company, Kennecott Copper Corp., and one mine, the fabulous Bingham mine 30 miles southwest of Salt Lake City. In recession-year 1958, Bingham accounted for 187,000 of Kennecott's domestic output of 319,000 tons.

• Economic Cushion-It's easy to see how two such giants-each employing 7.000-could have an impact on a state whose total nonfarm employment is only about 250,000. Not only their own employees, but secondary industries, retailers, and others are hit when they shut down for a prolonged strike. But despite their shutdowns, Utah

income and employment hit new highs in 1959. Department store sales jumped 9% over 1958; cars did well, and home construction was up

The economic strength Utah found last year didn't come from missiles alone -although missiles were by far the most important stimulant. Employment was up in trade, services, and government. Oil production, a new industry in Utah, was 60% above 1958. Uranium held its annual level of about 1-million tons. Total construction was off some, despite housing gains, but still made a respectable show And farming was No alightly, we

\$1,000 to \$5,000

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Shaw-Walker research has now produced the unbelievable-a desk that eliminates top clutter and drawer hodgepodge. How it's done is just one of the many time-saving, spacesaving ideas you'll find in the new 248-page Shaw-Walker Office Guide.

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Finding time for all this and for managing scientists, too-has meant giving up a few things: drinking, smoking, certain foods, and golf. He says he disposed of the first three because he doesn't like anything that makes him feel mentally fuzzy, the last because "not enough happens." END

BUSINESS WEEK . Feb. 27, 1960

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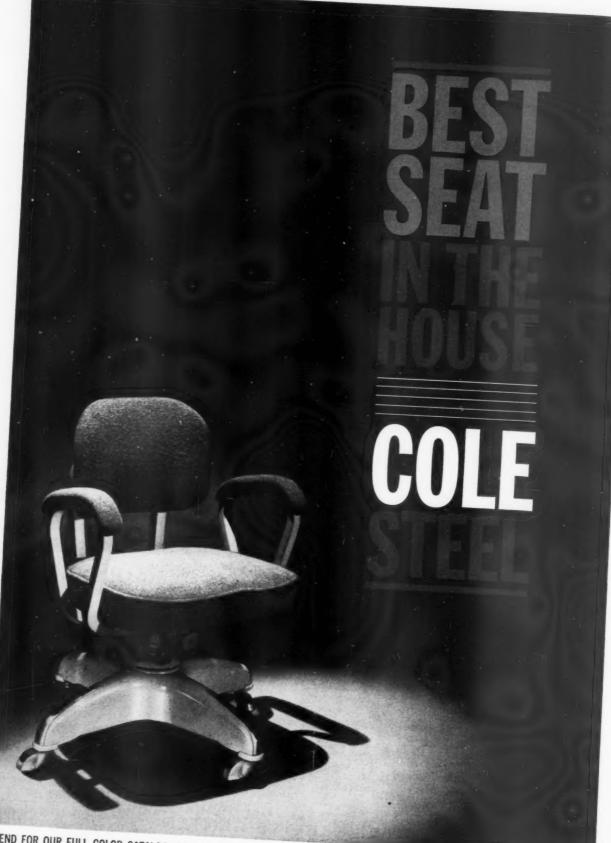
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Space	
Equipment	_
Cost of operation:	
Space	
Materials handling	ng
Cutting & burnin	g
Scrap & wastage	
Other costs:	
Obsolescence	
Insurance	_
Taxes	
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TOTAL	
COST OF FREEDOM-	and the same of the same of the

Per ton, cut-to-size, and delivered TOTAL



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BUSIN

In Production

Supersized Rail Tank Cars Planned; Big Plastic Cargo Container Tested

Union Tank Car Co. will build two new supersized tank cars for Tuloma Gas Products Corp. of Tulsa. The new cars, which will be 85 ft. long and have a capacity of 30,000 gal., are particularly adaptable for transporting such lightweight products as liquefied petroleum gas. Their use should make a substantial dent in hauling and terminal costs. The new tank cars are about three times as large as a standard railroad tank car and about one and a half times as big as the jumbo tank cars that touched off a trend to larger tank cars when they first appeared several years ago.

In another transportation development, Union Carbide Plastics Co. has announced it is testing a van-sized plastic cargo container for transporting bulk commodities. The 24-ft. long by 8-ft. high container is constructed of epoxy glass fiber reinforced plastic and can be transported by railroad flatcar, flat-bed trailer, or stacked aboard a ship. Union Carbide says the container weighs one-fourth less than a comparable aluminum one and is exceptionally resistant to abrasion and chemical and salt corrosion.

Esso Research Develops Plastic Pipe For Use in Oil and Gas Fields

One answer to the oil industry's high corrosion costs may be a new plastic pipe Esso Research & Engineering is developing. Standard Oil of New Jersey, Esso Research's parent, estimates its operating affiliates spend \$12-million annually combatting it.

Designed for use in the oil fields to gather oil and gas from the wells, the new pipe is made of a synthetic rubber and polyvinyl chloride plastic (PVC) reinforced with glass fiber. The oil, chemical, and corrosion-resistant pipe is capable of withstanding gasoline flames, —40F cold, and 300F heat.

The new pipe itself is more expensive than steel pipe, company officials admit. But the cheaper installation and maintenance costs of the lightweight plastic pipe should give it an excellent chance of being competitive with steel pipe.

Canada Reports Vast Asbestos Find In Region Near Arctic Circle

A vast asbestos find in northern Quebec near the Arctic Circle has been disclosed by Canadian officials. Preliminary exploration indicates the new reserves may encompass more than 7-million tons of the mineral fiber. The quality of the asbestos is reportedly comparable to that mined in southern Quebec, which produces about

70% of the free world supply. The area in which the find was made, the Ungava Peninsula of upper Quebec Province near to the uppermost reaches of Hudson Bay, has also figured prominently in the news because of vast reserves of copper, nickel, and iron ore uncovered there recently.

Officials of Quebec Province's Bureau of Mines state that reserves of 9-million tons would justify going ahead with the production planning for a 4,000-ton-a-day mining and processing operation. Because of the rigors of the climate, the operating year probably would consist of only 300 days.

To get such a plant operating would be no simple job. Lake Asbestos, an industry newcomer (BW-Jun.8'57, p189), is expected to start showing a profit this year. It took six years, \$37-million, and a draining of a two-mile long lake to reach this point. Lake Asbestos, a fully owned subsidiary of American Smelting & Refining Co., has found the asbestos market hard to break into. Anybody seeking to develop the far north deposits could expect an even more difficult time—unless the demand for asbestos climbs markedly.

Production Briefs

Allis-Chalmers Mfg. Co. will start construction immediately on a multimillion-dollar engine plant, to be located at its Harvey (Ill.) works. The new plant will enable the heavy equipment maker to broaden the lines of diesel, natural gas, butane, and gasoline engines now being incorporated into its own equipment. Allis-Chalmers also hopes to win a larger share of the market for engines in the marine, oil, construction, and logging fields.

A high-voltage transmission tower of European design has been developed by Aluminum Co. of Canada, Ltd., for the American market. Unlike standard U.S. free-standing transmission towers, the V-shaped aluminum tower stands on one leg and uses guy wires to give it lateral support. The 96-ft. high, 3-45-kv. tower uses about 2,700 lb. of aluminum. A comparable steel tower would use 7,500 lb., and a conventional rigid steel tower, 15,000 lb. The aluminum tower is also easier to transport and erect than conventional towers.

The gas turbine engine is scheduled to undergo some rugged testing when it starts hauling ore in the open pit mine operated by International Nickel Co. of Canada in the Sudbury district of Ontario. The 225-hp. engine, manufactured by the Allison Div. of General Motors Corp., will power an ore truck assigned to hauling 32-ton loads up 8% grades from the floor of the mining pit to the crusher house. The Allison engine also will get an additional tryout soon in a highway tractor, a 28-ft. personnel boat, an earthmoving tractor, plus several military applications.

Reynolds Metals Co. is constructing a \$750,000 container development plant near Richmond. The 20,000-sq.-ft. plant will be used to help Reynolds acquire the production knowhow needed to speed the development of new and less expensive kinds of aluminum cans and semi-rigid foil containers.

Missiles Industry Carries Utahto

MEASURE OF PERSONAL INCOME

-		Millions of Dollars			
		IS	easonally Adjust	(bed)	% CHANGE VS. YR. AGO
STATE	1953-55 AVERAGE	DECEMBER 1958	HOVEMBER 1959	DECEMBER 1959	
Alabama	\$286.4	\$358.1	\$350.3	\$374.8	+ 4.7
Alaska	41.9	52.3	58.1	60.1	+14.9
Arizona	126.9	184.4	202.3	193.9	+ 5.2
Arkansas	153.5	173.0	171.6	175.4	+ 1.4
California	2,341.7	3,164.9	3,404.5	3,463.3	+ 9.4
Colorado	217.2	300.5	312.1	322.0	+ 7.2
Connecticut	440.7	541.6	585.6	579.1	+ 6.9
Delaware	78.6	107.8	113.4	118.8	+ 10.2
District of Columbia	158.2	187.0	191.7	194.5	+ 4.0
Florida	456.8	718.5	827.4	837.1	+ 16.5
Georgia	383.2	474.0	485.9	487.3	+ 2.8
	76.0	100.9	108.3	111.0	+ 10.0
Hawaii	74.5	92.2	90.9	95.1	+ 3.1
Idaho			2,144.0	2,155.9	+ 6.3
Illinois	1,677.5	2,027.7 785.0	811.4	829.4	+ 5.7
Indiana					
lowa	357.3	463.5	445.1	462.0	- 0.3
Kansas	281.8	355.3	340.1	356.5	+ 0.:
Kentucky	307.1	362.6	370.6	362.7	+ 0.0
Louisiana	318.3	391.4	398.3	401.5	+ 2.0
Maine	112.8	134.1	140.9	140.8	+ 5.0
Maryland	432.3	566.3	567.3	578.4	+ 2.
Massachusetts	799.8	962.4	1,023.0	1,021.4	+ 6.
Michigan	1,234.1	1,411.6	1,471.7	1,488.9	+ 5.5
Minnesota	434.8	544.5	565.8	578.3	+ 6.
Mississippi	160.9	177.3	173.6	184.9	+ 4.3
Missouri	600.9	742.3	761.6	771.0	+ 3.9
Montana	92.3	114.6	99.3	100.7	- 12.
Nebraska	182.5	239.0	235.6	248.6	+ 4.0
Nevada	43.1	59.5	64.1	65.0	+ 9.
New Hampshire	75.2	91.1	95.7	96.4	+ 5.8
New Jersey	982.9	1,248.9	1,313.3	1,331.3	+ 6.0
New Mexico	91.8	131.4	126.8	128.2	- 2.
New York	2,887.9	3,553.0	3,647.1	3,681.0	+ 3.6
North Carolina	429.0	525.4	523.6	553.1	+ 5.3
North Dakota	67.4	96.0	78.7	79.8	- 16.
Ohio	1,476.3	1,750.9	1,848.2	1,884.5	+ 7.
Oklahoma	268.5	322.8	328.9	337.9	+ 4.
Oregon	249.8	302.6	314.7	322.6	+ 6.
Pennsylvania	1,678.6	2,012.6	1,986.0	2,051.0	+ 1.
Rhode Island	129.9	141.7	152.7	153.5	+ 8.
South Carolina	210.0	246.1	254.1	267.9	+ 8.
South Dakota	73.7	99.1	92.0	93.1	- 6.
Tennessee	345.9	407.4	433.8	427.8	+ 5.
Texas	1,132.9	1,434.5	1,429.3	1,450.1	+ 1.
Utah	98.1	131.0	125.0	133.0	+ 1.
Vermont	45.9	55.0	58.1	57.8	+ 5.
Virginia	383.3	559.1	564.3	560.3	+ 0.
Washington		520.1	523.8	534.9	+ 2.
West Virginia		249.8	255.0	252.5	+ 1.
				681.8	+ 4.
	528 2	655.2			
Wisconsin		655.2 55.7	672.1 52.9		
	45.9	55.7	52.9 \$31,390.6	53.5	- 3. + 5.

Expanded work on Bomarc and Minuteman more than offset effects of long strikes in steel and copper—the state's previous kingpin industries.

For Utah, the puff of smoke in the picture has a profound economic significance. It's caused by the static test-firing of the Minuteman's first-stage engine, and is symbolic of the fact that during 1959 missiles became the state's largest manufacturing industry.

The ascent of any single industry is meaningful to any state—especially to one as sparsely settled and as lightly industrialized as Utah. But 1959 happened also to be the year when Utah's previous kingpin industries—steel and copper—were shut down by strikes.

Without missiles, these strikes might have put much of the state flat on its back. But the growth of missiles more than offset the strikes and helped to give Utah its biggest year. Today, the industry employs over 10,000 workers—a gain of 5,000 during 1959.

According to BUSINESS WEEK'S Measure of Personal Income, Utah's total income last year was almost \$1.6-billion, up 4.9% over 1958. The chart (page 148) shows how the strikes depressed the curve in 1959, but also how missiles prevented a deeper plunge.

• Why Utah?—The state—with its population concentrated in the Ogden-Salt Lake City-Provo belt—offers a number of attractions to the missile industry:

• It is far enough from the Pacific Coast to satisfy those who want dispersal of defense industry, yet close enough to the coast's missile complexes for easy commuting.

 Land is cheap and abundant, and far enough from population centers to permit production and testing of explosive rocket fuels.

Incomes Recoup

In December, the nation had not yet fully recovered from the setback of the steel strike; incomes were still 1.1% below the all-time high reached last July when hardgoods industries were racing the strike deadline. But despite occasional steel shortages and the farm slump, the over-all picture continued to brighten. Total nonfarm jobs swelled by 1.6-million over last year; manufacturing employees (mostly in durables) increased 649,000 over the year and

ahto a New Peak of Prosperity



 Local labor is highly educated, adaptable, and available.

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 The climate and cultural environment are attractive enough to lure workers from outside the state.

• There are good transportation facilities—air, road, and rail. It was at Promontory Point just west of Ogden that construction crews of the Union Pacific and Central Pacific joined the first transcontinental rail in 1869.

 Center—At the heart of the missile complex is Hill Air Force Base, near Ogden—headquarters of the nine-state Ogden Air Materiel Area. Among its several functions, OAMA is logistics support manager for the Bomarc and Minuteman missile programs—the "first boss" of the companies with Bomarc and Minuteman contracts.

• Early Settler—Of its neighbors, one company precedes Hill. Hercules Powder Co., which has the research and development contract for the Minuteman's third-stage engine and hopes to get the production contract, built a plant at Bacchus—southeast of Salt Lake City—in 1914, to manufac-

ture dynamite for the copper miners.

When Hercules won the R&D contract for the Minuteman in 1958, it decided to do the work at Bacchus. Among other reasons, it already had buildings, owned over 1,000 acres on which it could expand and test, and had personnel trained to handle explosives. Hercules' third-stage engine uses a double-based propellant; one component is nitroglycerin, which it manufactures right there. Hercules employs 800 on missiles.

• Newcomer-In 1958, Thiokol Chemi-

Most of Steel Strike Losses

152,000 from November to December, a time of year when they normally decline.

• Florida Leads Way—According to BUSINESS WEEK'S Measure of Personal Income, pocketbooks were 1.6% fatter in December than in November, and 5% heavier than December, 1958. Twenty-two states exceeded and two states matched the national average in yearly improvements, while in many states incomes scaled new heights.

Florida was out in front again with another impressive annual gain, 16.5%. December's record-breaking tourist traffic takes a big share of the credit.

On the darker side, incomes in six key farm states turned down-North Dakota, -16.9%; Montana, -12.1%; South Dakota, -6.1%; Wyoming, -3.9%; New Mexico, -2.4%; and Iowa, -0.3%. Substantial declines in livestock prices characterized the drops in Montana and Wyoming. Hogs

brought only \$11.20 per hundredweight in the yearend markets, a drop of \$6.30 from the price a year earlier. Cattle was down almost \$3; calves close to \$4. Thus farmers held back their stock in the hope of some price improvement. Crop income fell in North and South Dakota.

In 16 states the monthly improvement from November to December was better than the annual change, reflecting the pickup in durables.



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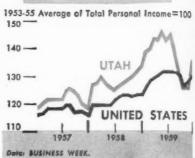
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cal Corp. won an R&D contract for the Minuteman's first-stage engine, and located 25 miles west of Brigham City, four miles from Promontory Point. Thiokol has 11,000 acres on which to test-fire the engine. The company won the production contract, last November, and is building a \$34-million plant. It expects to increase employment from 3,100 to nearly 5,000 in 18 months. Thiokol also is doing back-up work on the missile's second-stage engine, having lost the contract competition to Aerojet-General Corp. in Sacramento, Calif.

• Assembly Point—Utah's role in the important Minuteman program was strengthened last November. For at the same time Thiokol won the first-stage production contract, the Air Force chose Hill Air Force Base as the site for assembling, repairing, and recycling the Minuteman. Boeing Airplane Co. will operate the \$11-million 800-man plant

now going up.

At the time the Air Force had contracted Boeing for assembly in 1958, it had left the assembly spot open. Hastings, Ncb., for one, was very much in the running. But in the end, Utah's Hill base won out for at least three reasons: It is near the place where Thiokol will make the first-stage engine—the heaviest; it is an active base with a heavy-duty, long runway from which air planes could carry the Minuteman aloft; and it is near bunkers where the missiles can be stored in safety.

• Diversifications—Important as the Minuteman is in the nation's missile arsenal—it will succeed the Atlas and Titan in 1963 as our big offensive

"Did you have to let three motors burn out?"

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It seemed a simple way to save the cost of a contractor. Let the electrical maintenance crew put in the new power line ...

But a well-run crew has a tight schedule as it is: power upkeep, signaling equipment, lighting—asking them to pinch hit on new work means something has to give. And when a few dirty motors burn out, what have you sayed?

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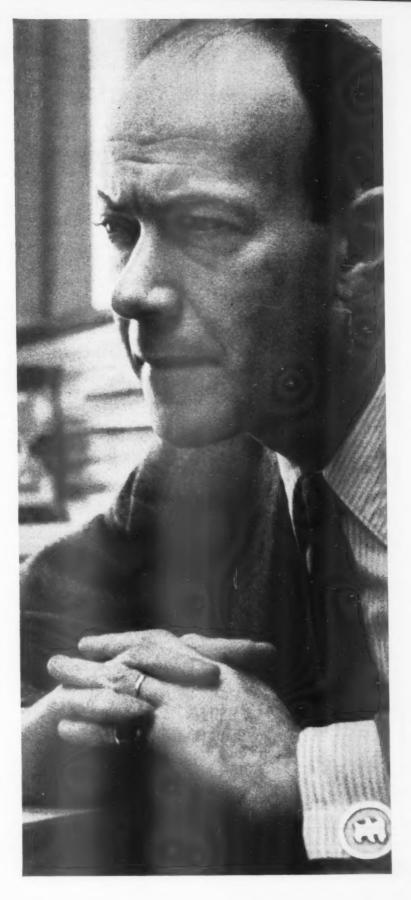
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When a businessman wants business news he turns to Business Week weapon-Utah has some diversification in its missile industry.

Near Ogden, Marquardt Corp. is turning out ramjet engines for the Bomarc. Marquardt began there in 1957, now employs 1,800. It test-fires engines on 1,900 acres the Air Force owns on the shore of Great Salt Lake.

Near Salt Lake City, Sperry Rand Corp. employs over 3,000 persons to manufacture Sergeant missiles for the Army. The company built there in 1956 after winning the contract to produce Sergeants. One important factor in its decision to locate there was that engineers were short and the company found it could tap the local supply—and hire former residents drawn by Mormon ties.

• Kingpins—Until missiles came along, steel was Utah's largest manufacturing industry. The Columbia-Geneva Div. of U.S. Steel Corp. had its Geneva Works at Provo, on Lake Utah. Geneva -one of the three large integrated steel plants in the West-was completed in 1944. U.S. Steel operated it for the government to supply California shipyards. U. S. Steel bought the steel mill from the government in 1947, and has expanded its ingot capacity to 2.3-million tons. Ample supplies of ore, limestone, coking coal, and water have made Provo attractive to U. S. Steel, and Utah in turn has benefited by the number of metal fabricating plants the Geneva Works has spawned.

Before World War II, copper dominated the Utah economy. And when you said copper, you meant virtually one company, Kennecott Copper Corp., and one mine, the fabulous Bingham mine 30 miles southwest of Salt Lake City. In recession-year 1958, Bingham accounted for 187,000 of Kennecott's domestic output of 319,000 tons.

• Economic Cushion—It's easy to see how two such giants—each employing 7,000—could have an impact on a state whose total nonfarm employment is only about 250,000. Not only their own employees, but secondary industries, retailers, and others are hit when they shut down for a prolonged strike.

But despite their shutdowns, Utah income and employment hit new highs in 1959. Department store sales jumped 9% over 1958; cars did well, and home construction was up.

The economic strength Utah found last year didn't come from missiles alone—although missiles were by far the most important stimulant. Employment was up in trade, services, and government. Oil production, a new industry in Utah, was 60% above 1958. Uranium held its annual level of about 1-million tons. Total construction was off some, despite housing gains, but still made a respectable showing. And farming was off only slightly. END

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Franker, ... Stanley Kimes, 83 Westendstrasse, Francisco 4. ... M. R. Zeynel, 2 Place du Port, Geneva, Switzerland

Speaking Out in Defense of Profits

For an economy based on "the profit system," U.S. corporations have been remarkably loath to defend profits as their cardinal aim. In its interesting study of profits (page 94), however, American Telephone & Telegraph speaks up boldly not merely in defense of profits-but in defense of good profits. After examining the record of a number of industries, both regulated and unregulated, AT&T concludes that profit and performance are closely linked -that companies earning superior profits grow, research, innovate, provide stable and better-paid jobs, while companies with poor profits waste resources, provide unstable and poorly paid jobs, and drag economic and social progress.

Critics of the study will argue that AT&T has put the matter backwards: that profits are the result of good performance, not its cause, and that many a company that once earned a good profit decayed because it used its money for the wrong things, or because its management got complacent and stagnant. But the AT&T group would agree with that point; many of their case studies show that adequate profits only enable a company to grow, research, innovate, but by no means ensure such a performance. They see profit as only one of three vital elements for progress—the other two being good man-

agement and a good product.

A more fundamental criticism of the AT&T study might be directed at its assumption that profits are the source of progress essentially because they permit companies to generate internally the funds needed for investment in new and better plant and for development of new and better products. Some critics will hold that, from the standpoint of the entire economy, it would be better if a company had to go to the capital market for its expansion money instead of piling up the money out of earnings. The argument is that savings would be more likely to go to their best investment uses-for expansion or boosting productivity or developing new products-if companies bidding for funds had to meet the competitive test of the capital market.

No one can deny the desirability of a more effectively functioning capital market. But every corporate treasurer knows that, in the capital market, "them as has, gits,"—that is, the company that earns a good profit has a far better chance of getting needed external financing than the poor earner. Indeed, good profits play one of their most vital roles in a free economy when they attract extra resources (or companies) to a profitable field.

Few would conclude from AT&T's study that profit should be the sole aim of the corporationand fewer still would read it as a case for permitting monopolies to soak the public. But the study does drive home the point that good profits play a key role in our economy as incentive to risk and innovation, as proof of a superior managerial performance. and as source of internal funds-as well as a lure to external funds-to promote growth and efficiency.

How To Increase Exports

The Committee for Economic Development this week brought out a policy statement that constitutes a sober and timely reminder that the U.S. still has not faced up to the difficulties of its balance of payments problem and the need for striking a new trade balance with Western Europe.

The CED starts with the realistic proposition that it should be a national objective to reduce as promptly as possible the large payments deficit of the past two years (\$7-billion in 1958-59). But it argues forcefully that to do this we must find ways that are consistent with our liberal trade policy. our central role in Western defense, and our commitment to aid in the economic progress of the underdeveloped countries. This means, argues the CED, that we must solve the problem by expanding our exports of goods and services-and to do that we must "better our competitive position."

To achieve this goal, the CED recommends a rigorous anti-inflationary policy at home; more stress on the growth of American productivity; a common effort by U.S. management and unions to keep unit labor costs down; and the removal, especially by Western Europe, of obstacles to our exports.

These are sound recommendations. It can also be argued that U.S. policy must put more emphasis on getting Western Europe to pick up a larger share of the common defense burden. But, if this is not feasible either for political or economic reasons, there is all the more reason for the U.S. to press European governments to pursue a liberal trade policy toward the U.S.—a policy that goes well beyond the removal of the dollar discrimination that was built up during the early postwar years.

Unfortunately, Western Europe's two trade blocs -the European Economic Community (EEC) and the European Free Trade Assn. (EFTA)-have been thinking until recently in terms of new discrimination against the U.S. as well as against each other. Only now are there some signs of a different attitude in this matter. Indeed, there is some prospect today of a solution to the split between EEC and EFTA that would broaden rather than shrink the European market for U.S. goods.

Thanks to the initiative taken by Under Secy. of State C. Douglas Dillon at the special Atlantic economic conference in January, the U.S. now has some leverage on this situation. It should be used

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Leonardo and some Yankee craftsmen

Leonardo da Vinci had the right idea, but it took Igor Sikorsky and his Connecticut craftsmen to build a workable helicopter.

To perfect it, a rotor had to be devised to cope with an unusual combination of motions. One such motion—controlling the direction of flight—is a slight twist of each blade, repeated every time the rotor revolves. This twisting action leads to "fret corrosion" that roughens bearings.

Because this wear meant frequent and costly replacement of bearings, Sikorsky conducted an exhaustive search for a lubricant to protect them. Over thirty were tested before one—and only one—was found: AeroShell* Grease 14. With its use, excessive bearing wear ended and frequent replacement was eliminated.

What's more, this same product more than meets the needs of other grease-lubricated bearings. Helicopter servicing time is cut and inventories sharply reduced by the use of one multi-purpose grease.

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